Credit Risk

2024

Sydbank Group

Sydbank

Contents

The credit risk report for 2024 is available in Danish at sydbank.dk
and in English at sydbank.com.
In case of doubt the Danish version applies.

Introduction

Credit risk is the risk of loss as a result of the non-performance by customers and other counterparties of their payment obligations to the Group. Credit risk concerns loans, credit commitments and guarantees as well as market values of derivatives and any holdings.

The most significant credit risks in the Group relate to the Group's loans and advances and guarantees issued to retail and corporate clients. The main focus of this report is a description of the lending and guarantee portfolio which may be compared with loans and advances and guarantees in the 2024 Annual Report.

The correlation between the gross exposure, as shown in "Appendix 1 – Supplementary tables", and loans and advances and guarantees in the 2024 Annual Report is shown in the table opposite.

Appendix 2 explains some of the terms used in this report.

Gross exposure – credit risk

DKKm	2024	2023
Loans and advances at fair value	23,842	16,743
Loans and advances at amortised cost	82,534	74,535
Loans and advances according to financial statements	**106,376**	**91,278**
Loans and advances to municipalities	(29)	(38)
Guarantees issued by government and institutions	(1,455)	(2,138)
Undrawn credit commitments	55,650	58,899
Derivatives	734	705
Repo (deposits)	1,536	3,392
Contingent liabilities etc	17,694	17,365
Gross exposure to retail and corporate clients	**180,506**	**169,463**
Governments, incl municipalities	15,009	22,739
Credit institutions	7,982	9,450
Gross exposure – credit risk	**203,497**	**201,652**

Credit and customer policy

The Group's overall credit risk is managed according to policies and limits determined and adopted by the Board of Directors.

The Board of Directors lays down the general framework for lending and the largest exposures are submitted on a regular basis to the Board of Directors for approval or information.

Employees with a lending authority may grant approvals. Such authority is adjusted to the employee's position. The lending authority is risk-based, ie a higher risk means reduced lending authority.

Corporate clients

As a rule corporate clients are served by the regional head office or by special corporate departments. The Group's largest and most complex exposures are handled by Corporate & Institutional Banking. The objective is that all small corporate exposures with satisfactory credit quality are approved by the customer's branch. Medium-size and major exposures are approved centrally by Credits, the Group Executive Management or the Board of Directors.

The Group's credit-related decisions are based on a systematic and structured review of the customer's circumstances and industry affiliation. The review is based on all accessible information, including industry analyses and financial analyses, and also comprises an assessment of the customer's forward-looking business plan and its risk and feasibility.

Retail clients

Lending to retail clients is based on the customer's disposable amount, wealth and leverage (defined as total household debt divided by household personal income) as well as knowledge of the customer.

The objective is that the majority of retail client exposures are approved by the customer's branch and that the remaining client exposures are approved by specially appointed heads of credit. Consequently exposures where the customer has negative assets of more than DKK 100,000 are approved by heads of credit. Major exposures and exposures with an increased risk are reviewed centrally by Credits.

Credit activities

Credit activities are conducted partly in the retail and corporate departments and partly centrally in Credits. As described below, the Group has developed rating models to assess risks to retail clients and corporate clients.

The Group's credit activities are an active element in the Group's efforts to increase its income by:

- Maintaining and increasing the portfolio of profitable and promising retail, corporate and investment clients
- Maintaining and increasing customers' business volume with the Group through a balanced composition of:
  - loans and advances and guarantees
  - deposits
  - payment services transactions
  - trading in securities etc
  - financial instruments
- Reducing risk of loss by implementing action plans for weak exposures. These action plans involve reducing the Group's exposure as well as hedging risks by securing additional collateral.

Risks in connection with lending must be precalculated on an informed and well-founded basis.

The Group's credit exposure is in particular to customers in Denmark and Northern Germany.

Particular focus is given to weak exposures. The objective is to ensure that the Group's action plans for these exposures are monitored, evaluated and adjusted on an ongoing basis to reduce the risk of loss.

Moreover Credits has a department which is assigned to exposures with a significant risk of loss. These exposures are closely monitored and Credits is actively involved in preparing solutions to mitigate the Group's credit risk.

On the basis of a risk-based approach Credit Control ensures that procedures and lending authorities are complied with as well as checks the Bank's systems and business procedures in the credit area. Moreover Credit Control, which is a separate department, follows up that any errors detected are corrected and reports to the Bank's management about its activities.

Risk Follow-up

Risk Follow-up is part of the division Risk.

Risk Follow-up monitors the most significant risks in the credit area. Using a variety of defined key areas, monitoring is based on an assessment as to whether the Group's internal control system as regards the credit area is adequate and whether the Group has business procedures describing the internal control system.

In addition monitoring of risks is based on supplementary analyses, research and controls of the credit quality of exposures, registrations, impairment calculations as well as the compliance with policies and business procedures in general.

This process involves research and analyses using information from the Group's database of all exposures.

Finally Risk Follow-up is tasked with assessing the data quality of the data used in the Group's IRB models.

Rating

Rating

The Group has developed rating models to manage credit risks to retail and corporate clients. The overriding objective is to monitor the financial circumstances of a customer and to identify as early as possible any financial difficulties.

The models are developed for the purpose of reflecting the Group's credit processes and complying with legislation in force issued by the EU and the EBA. The Group has models for the risk parameters PD, LGD and EAD as regards the Group's retail clients and corporate clients.

PD represents the probability that the customer will default on his obligations to the Group within the next 12 months.

LGD represents the proportion of a given exposure that is expected to be lost if the customer defaults on his obligations within the next 12 months.

EAD represents the expected size of an exposure, ie how much a customer is expected to have drawn on the granted credit facilities at the time of default. In order to calculate EAD a conversion factor (CF) is estimated for the purpose of converting undrawn credit commitments to expected EAD.

The risk parameters are included in the calculation of a number of important internal ratios and key figures concerning the Group's exposure portfolio, including expected loss (EL).

EL is calculated as follows: EAD x PD x LGD.

The models constitute a vital management tool in the Group's credit process in connection with eg:

- The targeting of sales activities, including pricing
- The assessment and determination of lending authority
- The review and follow-up of the risk of loans and credit commitments
- The calculation of impairment charges as regards facilities without objective evidence of credit impairment (OECI)

In addition the Group's models are used in connection with the calculation of the Group's Pillar I capital requirement.

Today the Group uses the advanced IRB approach to calculate the capital requirement as regards retail and corporate exposures.

On the basis of the rating models, customers are assigned to rating categories 1-10 where rating category 1 represents the best credit quality and rating category 10 represents the category of customers who have defaulted on their obligations to the Group.

Customers are rated in the 2 independent models described below and all models are based on statistical processing of customer data for the purpose of classifying customers according to their probability of default within the next 12 months.

Corporate

The corporate client model is based partly on accounting data and partly on financial conduct and is supplemented by appraisals made by the credit officer and/or account manager of the customer's current strength profile as well as an industry analysis. It is possible on the basis of a specific assessment to override a rating. All overrides must be approved by the Bank's credit committee. As regards the largest customers, ie exposures exceeding 1% of the Group's total capital, calculated ratings are assessed by Credits at least twice a year.

Retail

The retail client model is based primarily on account behaviour. On the basis of this data and inherent statistical correlations, customers are rated according to their probability of default vis-à-vis the Group within the next 12 months.

Exposures outside rating models

The Group has no internal rating model to assess risk as regards credit institutions, public authorities (governments, regions and municipalities) and a few specific portfolios as regards corporate clients and retail clients. The Danish FSA has approved the Group's use of the standardised approach to calculate the risk exposure amount concerning these exposures.

Loans and advances and guarantees by rating category

DKKm	Corporate			Retail			Total		2024	2023
	Loans/ advances	Guarantees	%	Loans/ advances	Guarantees	%	Loans/ advances	Guarantees	%	%
1	9,089	510	12.4	6,353	5,218	49.4	15,442	5,728	21.0	17.5
2	21,037	3,647	31.9	2,444	1,678	17.6	23,481	5,325	28.6	29.9
3	9,799	850	13.9	1,979	1,149	13.4	11,778	1,999	13.7	14.1
4	16,121	829	21.9	748	361	4.6	16,869	1,190	17.9	18.0
5	6,429	349	8.8	403	221	2.7	6,832	570	7.4	10.3
6	2,414	79	3.2	87	42	0.6	2,501	121	2.6	2.5
7	2,118	153	3.0	45	24	0.3	2,163	177	2.3	2.4
8	378	14	0.5	40	25	0.3	418	39	0.5	0.5
9	1,001	85	1.4	312	79	1.7	1,313	164	1.5	1.5
Default	1,430	154	2.0	136	15	0.6	1,566	169	1.7	1.4
STD/NR	199	603	1.0	1,989	69	8.8	2,188	672	2.8	1.9
Total	**70,015**	**7,273**	**100.0**	**14,536**	**8,881**	**100.0**	**84,551**	**16,154**	**100.0**	**100.0**
Impairment of loans and advances	1,723			294			2,017			
Total	**68,292**	**7,273**		**14,242**	**8,881**		**82,534**	**16,154**		
2024 (%)	82.7	45.0		17.3	55.0		100.0	100.0		
2023 (%)	82.9	52.0		17.1	48.0		100.0	100.0		

The table above shows that corporate loans and advances account for 82.7% (2023: 82.9%) of total loans and advances, and retail loans and advances constitute 17.3% (2023: 17.1%).

80.0% (2023: 78.2%) of the Group's corporate loans and advances and guarantees are rated in categories 1-4 and 85.0% (2023: 84.5%) of the Group's retail loans and advances are rated in categories 1-4.

Default

According to the Group's rating models, a customer is in default if at least one of the following events has occurred:

- A write-off has been recorded as regards the customer
- The customer has at least one non-accrual credit facility
- An impairment charge/provision has been registered in connection with the customer and a loss must be regarded as the most likely
- The exposure is being treated as non-performing
- The exposure has been significantly overdrawn for more than 90 consecutive days
- Distressed restructuring has been granted

Exposures in default are classified as stage 3.

Rating

Validation

Risk parameters are monitored and validated on an ongoing basis relative to the Group's business procedures, which reflect best practice, as well as requirements from the Danish FSA, the EU and the EBA.

The validation process includes an assessment of:
- Model ability to rank customers by default risk and loss risk
- Realised values compared with expected values (backtesting)
- Data quality
- Representativity
- Model application
- Compliance with regulatory requirements

The backtest of the corporate client rating model for the period 1 January 2024 – 31 December 2024 shows the following:

Rating	Number	Number of realised defaults	Number of estimated defaults
1	238	0	0
2	6,313	2	8
3	4,895	9	20
4	3,119	25	28
5	2,524	27	51
6	685	11	26
7	424	32	27
8	141	8	15
9	673	88	121
Total	**19,012**	**202**	**296**

The table shows that the model is conservative overall.

The backtest of the retail client rating model for the period 1 January 2024 – 31 December 2024 shows the following:

Rating	Number	Number of realised defaults	Number of estimated defaults
1	55,421	7	18
2	14,024	5	9
3	12,022	8	27
4	3,820	8	21
5	3,648	15	38
6	1,004	6	24
7	781	13	32
8	3,818	53	226
9	2,759	74	256
Total	**97,297**	**189**	**651**

The total number of retail client defaults is conservative.

The table below shows the average PD for solvency purposes used to calculate the Group's risk exposure amount at year-end as well as the realised annual default rates for 2020 to 2024.

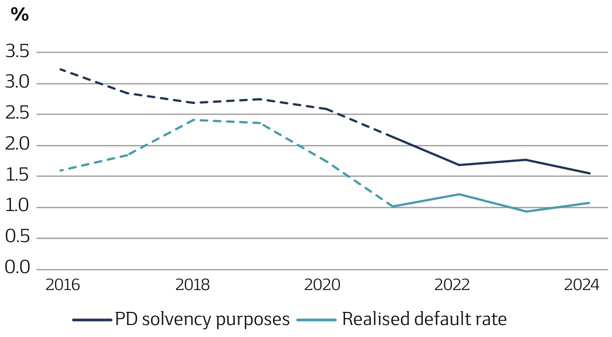
%	Corporate		Retail	
Year	PD solvency 1 Jan	Realised default rate	PD solvency 1 Jan	Realised default rate
2024	1.56	1.06	0.67	0.19
2023	1.78	0.93	0.68	0.25
2022	1.69	1.21	0.75	0.20
2021	2.15	1.01	0.72	0.22
2020	2.61	1.75	0.90	0.38

The table shows that the realised default rates were lower than the PD estimate for solvency purposes for 2020-2024.

The Group anticipates that under normal economic conditions the PD estimates for solvency purposes are prudent compared to the realised default rates.

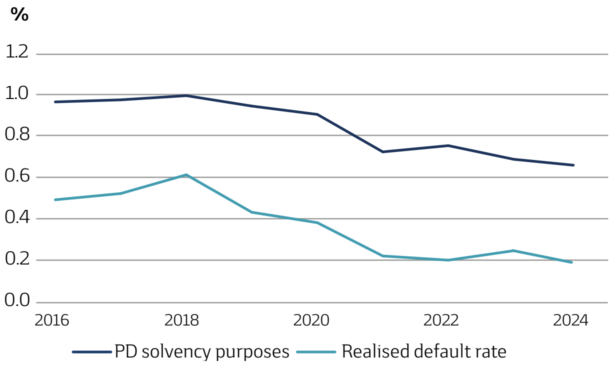
The following 2 figures show PD for solvency purposes and the realised default rate since 2016. As can be seen, PD for solvency purposes is higher than the realised default rate as regards both portfolios.

Probability of default – corporate clients



The period 1 January 2016 – 30 September 2022 is based on estimates made on the basis of a new model.

Probability of default – retail clients



Loss given default (LGD)

LGD is defined as the proportion of a given exposure that is expected to be lost if the customer defaults within the next 12 months.

The size of LGD will vary depending on the category of the borrower as well as the realisable value of any collateral or other type of hedging.

As regards retail clients the Group uses its own estimates of the realisable value of collateral and of the loss on the unsecured part of the exposure.

The realisable value reflects the market value of collateral net of:
- The expected state of assets provided that the exposure is non-performing
- The expected decline in asset values during a recession
- The transferability of the collateral
- Model uncertainty

Loss given default (LGD) – corporate clients

The table below shows the average estimated and realised LGD of corporate clients in default from 2020 to 2024.

Year/%	Estimated	Realised
2024	39	64
2023	39	39
2022	39	26
2021	37	15
2020	37	14

Comparing estimated and realised LGD rates is difficult as the estimated values reflect the percentage of the loss of the original exposure when the loss has been finally determined and repayments on the exposure can no longer occur. As regards virtually all exposures in default, this period lasts several years and quite often substantial payments are recorded several years after the exposure was in default.

For instance the level realised in 2024 was higher than the level estimated. The number of open cases from which dividend can continue to be obtained via payments was high in the year.

It is the assessment that the model's ability to rank and estimate loss rates guarantees a prudent basis for calculating the capital requirement as regards exposures to corporate clients.

Loss given default (LGD) – retail clients

The table below shows the average estimated and realised LGD of retail clients in default from from 2020 to 2024.

Year/%	Estimated	Realised
2024	78	75
2023	76	53
2022	74	40
2021	74	40
2020	76	34

For the same reason as for corporate clients it is difficult to compare estimated and realised LGD rates.

It is the assessment that the model's ability to rank and estimate loss rates guarantees a prudent basis for calculating the capital requirement as regards exposures to retail clients.

Rating

Conversion factor (CF)

As regards exposures with undrawn credit commitments, a conversion factor is estimated indicating the expected utilisation of an undrawn credit commitment at the time of default. EAD is then calculated as the amount already drawn plus expected additional drawings until default.

The Group uses its own CF estimates as regards retail clients and corporate clients.

Conversion factor – corporate clients

The table below shows the average estimated and realised conversion factors for undrawn credit commitments of corporate clients in default from from 2020 to 2024.

Year(%)	Estimated	Realised
2024	49	39
2023	44	41
2022	44	38
2021	42	24
2020	43	29

As can be seen from the table, the Group's CF estimates as regards corporate clients were around 40% throughout the period. The realised conversion factors were below the estimated levels during the entire period.

Conversion factor – retail clients

The table below shows the average estimated and realised conversion factors for undrawn credit commitments of retail clients in default from from 2020 to 2024.

Year(%)	Estimated	Realised
2024	100	83
2023	100	87
2022	100	48
2021	100	84
2020	100	70

As can be seen from the table, the Group's CF estimates as regards retail clients were 100% throughout the period. The realised conversion factors were below the estimated level throughout the period.

Risk exposure amount (REA)

REA is a function of PD, LGD and EAD. REA appears from "Appendix 1 – Supplementary tables". The figures below show the correlation between the unweighted exposure and REA of corporate clients and retail clients respectively.

REA and unweighted exposure – corporate clients

From 1 January 2021 a new definition of default was used, which increases the risk exposure amount by approx DKK 5bn. Moreover the increase in lending activity is reflected in the unweighted exposure.

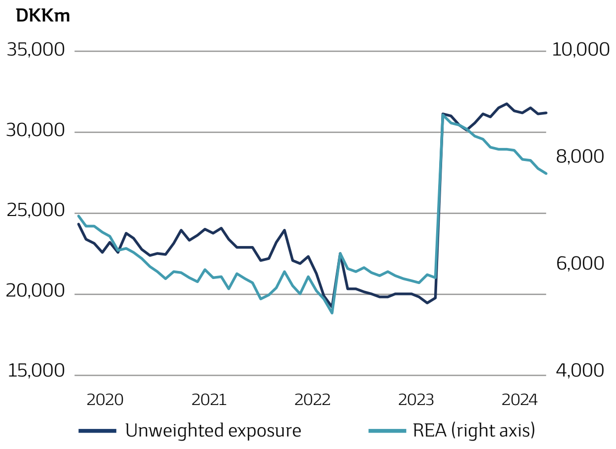
In October 2022 the Group obtained approval to use the advanced IRB approach as regards corporate exposures. Consequently since October 2022 the Group has used the advanced IRB approach (A-IRB) as regards corporate and retail exposures to calculate REA. The advanced approach uses own estimates as regards all parameters in the model. The consequence is an increase in unweighted exposure and an unchanged level of REA.

At year-end 2023 REA as regards corporate clients dropped by approx DKK 4.8bn as a consequence of the Group's approval to reclassify a number of SME clients from corporate to retail. This ensures consistency between handling for credit-related purposes and the calculation of the Group's capital requirements.

The use of new models impacts the possibility of comparing previous periods in particular at lower levels such as rating categories.

The increase in 2024 as regards the unweighted exposure as well as REA is particularly attributable to a rise in lending activity.

REA and unweighted exposure – retail clients



The Danish FSA has given the Group its approval as of 31 October 2022 to incorporate retail exposures acquired from Alm. Brand Bank in the Group's IRB portfolio, which increases REA and unweighted exposure.

The substantial increase at year-end 2023 in unweighted exposures and REA relates to the reclassification of a number of SME clients from corporate to retail as mentioned above.
The effect of the reclassification represents an increase of approx DKK 11.7bn in unweighted exposures and an increase of approx DKK 2.9bn in REA.

The decline in REA in 2024 is attributable to a drop in exposure in the poorer rating categories and an increase in the better rating categories.

Industry breakdown

The Group's credit exposure to corporate clients takes into account individual industry prospects. Due to special risk assessments, the Group may deliberately underweight its exposure to a few industries. The table below shows the exposure by way of loans and advances and guarantees to 11 primary industries as well as to retail clients and public authorities. After impairment charges, total loans and advances represent DKK 82,534m. In addition the table shows loans and advances by stage according to IFRS 9 and the related accumulated impairment charges as well as impairment charges for loans and advances etc for the year by industry.

2024 DKKm	Loans/advances before impairment charges	Loans/advances after impairment charges	Guarantees	Loans/ advances – stage 1	Loans/ advances – stage 2	Loans/ advances – stage 3	Credit impaired at initial recognition
Building and construction	2,711	2,607	812	2,282	323	106	-
Energy supply etc	3,346	3,123	1,938	2,986	154	206	-
Real estate	10,803	10,731	541	10,077	631	51	44
Finance and insurance	10,235	10,085	1,020	9,231	860	142	2
Trade	16,775	16,306	887	13,618	2,836	321	0
Hotels and restaurants	345	319	28	289	16	40	-
Manufacturing and extraction of raw materials	8,442	8,151	903	6,417	1,763	262	-
Information and communication	385	354	25	283	72	30	-
Agriculture, hunting, forestry and fisheries	3,202	3,048	617	2,546	537	113	6
Transportation	2,653	2,617	56	2,483	146	24	-
Other industries	11,092	10,925	446	10,083	874	135	-
Total corporate	**69,989**	**68,266**	**7,273**	**60,295**	**8,212**	**1,430**	**52**
Public authorities	26	26	-	26	-	-	-
Retail	14,536	14,242	8,881	13,710	643	136	47
Total	**84,551**	**82,534**	**16,154**	**74,031**	**8,855**	**1,566**	**99**
Building and construction							
Completion of building projects	359	335	89	295	23	41	-
Building and construction activities, specialised	1,358	1,285	511	1,080	218	60	-
Construction of buildings	453	449	150	376	77	0	-
Other building and construction	541	538	62	531	5	5	-
Total	**2,711**	**2,607**	**812**	**2,282**	**323**	**106**	**-**
Real estate							
Housing/cooperative associations	6,795	6,793	-	6,681	114	-	-
Leasing of commercial real estate	2,456	2,410	431	2,054	328	30	44
Leasing of residential real estate	658	650	57	615	26	17	-
Other related to real estate	894	878	53	727	163	4	-
Total	**10,803**	**10,731**	**541**	**10,077**	**631**	**51**	**44**
Finance and insurance							
Holding companies	6,367	6,269	105	5,667	627	73	-
Financing companies	3,868	3,816	915	3,564	233	69	2
Total	**10,235**	**10,085**	**1,020**	**9,231**	**860**	**142**	**2**

As shown below, the accumulated impairment ratio as regards loans and advances constitutes 2.4% (2023: 2.3%) and credit impaired loans and advances in stage 3 represent 1.9% (2023: 1.5%) of total loans and advances before impairment charges. Impairment charges for loans and advances for the year in the industry energy supply etc constitutes DKK 451m. The single largest impairment charge represents DKK 445m and concerns a customer, which is under restructuring with a view to either selling the company or raising capital. DKK 200m has been recognised as a loss.

Impairment charges for loans/advances – stage 1	Impairment charges for loans/advances – stage 2	Impairment charges for loans/advances – stage 3	Impairment charges for loans/advances etc for the year	Losses reported for the year	Loans/advances in stage 3 as % of loans/advances	Impairment charges in stage 3 as % of loans/ advances in stage 3	Impairment charges as % of loans/ advances
12	23	69	11	27	3.9	65.1	3.8
6	11	206	451	200	6.2	100.0	6.7
19	33	20	19	1	0.5	39.2	0.7
60	16	74	26	4	1.4	52.1	1.5
92	157	220	133	128	1.9	68.5	2.8
1	2	23	(4)	2	11.6	57.5	7.5
39	93	159	58	7	3.1	60.7	3.4
2	5	24	2	1	7.8	80.0	8.1
15	79	60	(42)	7	3.5	53.1	4.8
11	14	11	13	1	0.9	45.8	1.4
50	37	80	30	4	1.2	59.3	1.5
307	**470**	**946**	**697**	**382**	**2.0**	**66.2**	**2.5**
0	-	-	-	0	-	-	0.0
73	129	92	(102)	24	0.9	67.6	2.0
380	**599**	**1,038**	**595**	**406**	**1.9**	**66.3**	**2.4**
2	1	21	22	2	11.4	51.2	6.7
8	20	45	0	25	4.4	75.0	5.4
2	2	-	(13)	0	0.0	-	0.9
0	0	3	2	-	0.9	60.0	0.6
12	**23**	**69**	**11**	**27**	**3.9**	**65.1**	**3.8**
2	0	-	1	-	-	-	0.0
10	24	12	11	0	1.2	40.0	1.9
2	1	5	3	-	2.6	29.4	1.2
5	8	3	4	1	0.4	75.0	1.8
19	**33**	**20**	**19**	**1**	**0.5**	**39.2**	**0.7**
45	14	39	14	-	1.1	53.4	1.5
15	2	35	12	4	1.8	50.7	1.3
60	**16**	**74**	**26**	**4**	**1.4**	**52.1**	**1.5**

The table continues overleaf.

Industry breakdown

2024 DKKm	Loans/advan-ces before impairment charges	Loans/advan-ces after impairment charges	Guarantees	Loans/ advances – stage 1	Loans/ advances – stage 2	Loans/ advances – stage 3	Credit impaired at initial recog-nition
Trade							
Retail	1,664	1,602	139	1,204	427	33	-
Trade, passenger cars and motorcycles	2,895	2,835	190	2,491	352	52	-
Wholesale, other machinery	1,707	1,617	62	1,310	328	69	-
Wholesale, food, beverages and tobacco	2,138	2,076	33	1,667	440	31	-
Wholesale, household durables	3,754	3,642	236	3,176	505	73	-
Wholesale, agricultural raw materials and live animals	1,607	1,574	1	1,246	315	46	-
Other specialised wholesale	2,074	2,048	146	1,796	269	9	0
Other trade	936	912	80	728	200	8	-
Total	**16,775**	**16,306**	**887**	**13,618**	**2,836**	**321**	**0**
Manufacturing and extraction of raw materials							
Extraction of raw materials	205	204	74	204	1	-	-
Manufacture of textiles and clothing	632	625	29	454	178	-	-
Manufacture and repair of machinery and equipment	1,303	1,267	425	1,142	142	19	-
Manufacture of food products	2,439	2,377	29	1,971	405	63	-
Manufacture of fabricated metal products, excl machinery and equipment	994	917	178	573	324	97	-
Other manufacturing	2,869	2,761	168	2,073	713	83	-
Total	**8,442**	**8,151**	**903**	**6,417**	**1,763**	**262**	**-**
Agriculture							
Pig farming	445	432	65	398	18	23	6
Cattle farming	798	723	200	729	45	24	-
Crop production	1,097	1,076	224	753	298	46	-
Other agriculture	862	817	128	666	176	20	-
Total	**3,202**	**3,048**	**617**	**2,546**	**537**	**113**	**6**
Transportation							
Land transport	970	948	30	870	77	23	-
Water transport	394	394	-	394	-	-	-
Air transport	169	167	19	168	-	1	-
Other transportation	1,120	1,108	7	1,051	69	0	-
Total	**2,653**	**2,617**	**56**	**2,483**	**146**	**24**	**-**
Other industries							
Rental and leasing activities	4,730	4,699	43	4,604	117	9	-
Activities of head offices	2,466	2,453	6	2,091	375	-	-
Liberal professions	1,419	1,379	144	1,167	216	36	-
Other industries	2,477	2,394	253	2,221	166	90	-
Total	**11,092**	**10,925**	**446**	**10,083**	**874**	**135**	**-**

Impairment charges for loans/advances – stage 1	Impairment charges for loans/advances – stage 2	Impairment charges for loans/advances – stage 3	Impairment charges for loans/advances etc for the year	Losses reported for the year	Loans/advances in stage 3 as % of loans/advances	Impairment charges in stage 3 as % of loans/ advances in stage 3	Impairment charges as % of loans/ advances
7	33	22	17	1	2.0	66.7	3.7
12	17	31	(7)	5	1.8	59.6	2.1
9	16	65	64	2	4.0	94.2	5.3
14	23	25	0	0	1.4	80.6	2.9
28	35	49	17	118	1.9	67.1	3.0
6	7	20	(1)	-	2.9	43.5	2.1
11	9	6	40	-	0.4	66.7	1.3
5	17	2	3	2	0.9	25.0	2.6
92	**157**	**220**	**133**	**128**	**1.9**	**68.5**	**2.8**
1	0	-	(1)	-	-	-	0.5
3	4	-	1	-	-	-	1.1
12	9	15	6	0	1.5	78.9	2.8
8	11	43	5	2	2.6	68.3	2.5
4	29	44	9	0	9.8	45.4	7.7
11	40	57	38	5	2.9	68.7	3.8
39	**93**	**159**	**58**	**7**	**3.1**	**60.7**	**3.4**
2	1	10	(22)	-	5.2	43.5	2.9
5	46	24	18	1	3.0	100.0	9.4
4	4	13	(34)	5	4.2	28.3	1.9
4	28	13	(4)	1	2.3	65.0	5.2
15	**79**	**60**	**(42)**	**7**	**3.5**	**53.1**	**4.8**
6	5	10	6	1	2.4	43.5	2.2
0	-	-	0	-	-	-	0.0
1	-	1	(1)	-	0.6	100.0	1.2
4	9	0	8	-	0.0	0.0	1.1
11	**14**	**11**	**13**	**1**	**0.9**	**45.8**	**1.4**
20	7	4	10	-	0.2	44.4	0.7
5	8	-	0	-	-	-	0.5
9	10	21	9	3	2.5	58.3	2.8
16	12	55	11	1	3.6	61.1	3.4
50	**37**	**80**	**30**	**4**	**1.2**	**59.3**	**1.5**

Industry breakdown

The table below shows the Group's loans and advances to industries by rating category. 81.6% (2023: 79.9%) of rated loans and advances are rated in categories 1-4.

Loans and advances by rating category

DKKm Industry	1-2	3-4	5-6	7-9	Default	STD/NR	2024 Total	2024 %	2023 %
Building and construction	807	1,359	247	189	106	3	2,711	3.2	4.6
Energy supply etc	2,243	770	27	97	206	3	3,346	4.0	4.2
Real estate	7,983	1,960	529	236	51	44	10,803	12.8	10.7
Finance and insurance	5,153	3,057	1,517	267	142	99	10,235	12.1	10.8
Trade	4,721	7,167	3,284	1,276	321	6	16,775	19.8	20.9
Hotels and restaurants	49	233	12	10	40	1	345	0.4	0.5
Manufacturing and extraction of raw materials	2,429	3,611	1,470	668	262	2	8,442	10.0	10.5
Information and communication	77	222	22	33	30	1	385	0.5	0.6
Agriculture, hunting, forestry and fisheries	808	1,405	516	359	113	1	3,202	3.8	3.6
Transportation	1,153	1,145	268	61	24	2	2,653	3.1	3.4
Other industries	4,703	4,991	951	301	135	11	11,092	13.1	13.1
Public authorities	-	-	-	-	-	26	26	0.0	0.0
Retail	8,797	2,727	490	397	136	1,989	14,536	17.2	17.1
Total	**38,923**	**28,647**	**9,333**	**3,894**	**1,566**	**2,188**	**84,551**	**100.0**	**100.0**
Impairment of loans and advances	19	189	226	517	1,001	65	2,017		
Total loans and advances	**38,904**	**28,458**	**9,107**	**3,377**	**565**	**2,123**	**82,534**		
2024 (%)	47.1	34.5	11.0	4.1	0.7	2.6	100.0		
2023 (%)	45.7	34.2	13.9	3.9	0.6	1.7	100.0		

Focus on agriculture

Agriculture – loans and advances by rating category

DKKm Sub-industry	1-2	3-4	5-6	7-9	Default	STD/NR	2024 Total	2024 %	2023 %
Pig farming	182	140	94	6	23	-	445	13.9	9.4
Cattle farming	212	476	60	26	24	-	798	24.9	27.8
Crop production	181	440	259	171	46	-	1,097	34.3	34.9
Other agriculture	233	349	103	156	21	-	862	26.9	27.9
Total	**808**	**1,405**	**516**	**359**	**114**	**-**	**3,202**	**100.0**	**100.0**
Impairment of loans and advances	1	9	9	75	60	-	154		
Total loans and advances	**807**	**1,396**	**507**	**284**	**54**	**-**	**3,048**		
2024 (%)	26.5	45.8	16.6	9.3	1.8	-	100.0		
2023 (%)	19.4	45.0	20.8	10.5	3.5	0.8	100.0		

Agriculture is divided into the following sub-industries:

- Pig farming
- Cattle farming (beef cattle and dairy cattle)
- Crop production
- Other agriculture (primarily forestry farming and leisure farmers)

Outlook for agriculture

At year-end 2024 Sydbank's total loans and advances to agriculture constituted DKK 3,202m – an increase of DKK 475m compared with a year ago.

The share of loans and advances in the weakest rating categories (7-9 and default) represents 14.8% (2023: 18.9%) before impairment charges. After impairment charges this share constitutes 11.1% (2023: 14.0%).

As shown in the tables on pp 12-15, 3.5% (2023: 6.9%) of loans and advances to agriculture are credit impaired and classified as stage 3.

At year-end 2024 an impairment charge totalling DKK 154m (2023: DKK 178m) was recorded, equivalent to 4.8% (2023: 6.5%) of loans and advances.

In 2024 pork producers received on average a settlement price of DKK 12.56 per kg, including supplementary payments, which is approx DKK 1.50 below the quotation in 2023. The market price for piglets was high in 2024, which was also the case in 2023. As a result of a drop in the quotation and high piglet prices, pork producers who purchase piglets ended 2024 with an unsatisfactory result. Piglet producers recorded very satisfactory results, in particular producers selling to the export market at market quotation. Integrated producers are forecast to achieve positive results albeit lower than in 2023. Overall pork producers are expected to achieve positive results albeit with very large variations between the branches of farming.

The quotation for pork in Denmark is squeezed by a sluggish export market because China is not buying the same volumes as previously and because production is on the rise in the USA and Brazil. Production in Europe has been falling in recent years but this trend is on the decline and the quotation is expected to drop slightly in 2025. The price of piglets is also forecast to decrease and the difference between the calculated quotation and the market quotation is expected to shrink.

At the beginning of 2024 milk prices had dropped to DKK 3.26 per kg from the historically high level in 2022 when prices peaked at DKK 4.59 per kg. In 2024 prices went up again and stood at DKK 4.23 per kg at year-end. Due to the rise in milk prices and a stabilised level of costs, income from milk production was at a satisfactory level at the end of 2024. This is expected to continue in 2025 as the demand for dairy products is forecast to go up whereas production is considered insufficient to meet the growth in demand.

As regards grain and other crops, prices in 2024 were at a relatively high level although settlement prices were lower than in 2023. However the high level of prices is not expected to generate satisfactory earnings for 2024 due to low yields. Yields show significant regional differences as some areas are approx 50% below normal and other areas have been close to a normal level. Settlement prices for 2025 are projected to be on a par or slightly above 2024, which is expected to result in satisfactory earnings for crop producers. However the weather conditions in recent years make it difficult to predict the results until after harvesting.

2024, as 2023, was a year with substantial differences in agricultural earnngs dependent on the sub-industry. Pork producers buying piglets represent the most challenged sub-industry. The Bank's portfolio of producers consists primarily of integreated producers or piglet producers with fixed buyers in Denmark and to the export market, who are less vulnerable compared to pork producers.

Before the summer holiday in 2024 the results of the green tripartite agreement to introduce a carbon tax on agriculture were announced. The agreement was adopted politically as negotiated at year-end. From 2030 a carbon tax will be levied on milk and pork production. The Bank is of the opinion that producers focusing on lowering emissions and investing in reducing measures will be able to pay this tax and still have satisfactory finances. Consequently the Bank expects that agricultural clients' finances will survive a carbon tax and the green transition in general. However it is decisive that the individual farmer focuses on sustainable production and is in a position to invest in more sustainable production practices.

Focus on retail clients

At 31 December 2024 loans and advances to retail clients represented DKK 14,536m (2023: DKK 13,052m). Loans and advances to retail clients have gone up by DKK 1,484m of which DKK 1,271m is attributable to the acquisition of Coop Bank A/S.

Loans and advances other than mortgage-like loans to retail clients constituted DKK 12,212m at 31 December 2024 (2023: DKK 10,856m) – an increase of 12.5%. The increase is primarily ascribable to the acquisition of Coop Bank A/S.

At 31 December 2024 mortgage-like loans made up 16.0% (2023: 16.8%) of total loans and advances to retail clients.

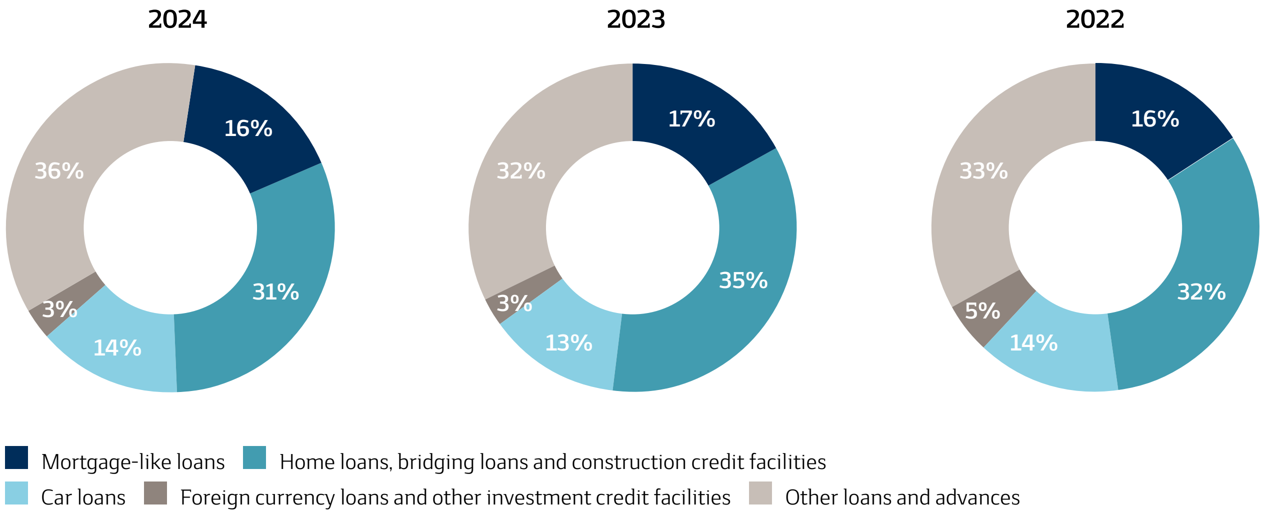
Funded mortgage-like loans are not recognised in the Group's balance sheet. The Bank provides a guarantee for the part of the loan in the LTV range of 60-80%.

Arranged mortgage loans have gone up by DKK 2,678m from DKK 84,611m in 2023 to DKK 87,289m in 2024. The recognition of Coop Bank A/S accounts for DKK 1,034m of the increase.

Total credit intermediation to retail clients – by product type

DKKm Product type	2024	2023	2022
Mortgage-like loans	2,324	2,196	2,314
Home loans, bridging loans and construction credit facilities	4,478	4,461	4,636
Car loans	2,032	1,738	1,967
Foreign currency loans and other investment credit facilities	419	436	685
Other loans and advances	5,283	4,221	4,833
Total loans and advances	**14,536**	**13,052**	**14,435**
Funded loans and advances – off-balance sheet	3,515	4,208	4,861
Arranged mortgage loans – Totalkredit	87,289	84,611	86,417
Total credit intermediation	**105,340**	**101,871**	**105,713**

Total loans and advances to retail clients by product type



At 31 December 2024 loans and advances before impairment charges to customers in the 4 best rating categories represented DKK 11,520m (2023: DKK 10,647m) – an increase of DKK 877m.

At 31 December 2024 the share of loans and advances to customers in the 4 best rating categories represented 80.6% (2023: 83.4%) – a drop of 2.8pp. Adjusted for the effect of the portfolio acquired from Coop Bank A/S, which is treated according to the STD approach, the share of loans and advances constitutes 86.4%.

Impairment of loans and advances

As regards customers in rating categories 1-9 without objective evidence of credit impairment, model-based scenario-weighted impairment charges are calculated. The scenarios reflect the assumed future economic environment and are broken down by the probability of the following scenarios: downturn, baseline and upturn. At 31 December 2024 the probability of a downturn scenario represented 95%, which is unchanged compared with year-end 2023.

At 31 December 2024 the Group had a management estimate of DKK 100m to hedge macroeconomic uncertainty as regards retail clients.

The management estimate as regards macroeconomic risks covers potential losses related to the negative effects of the risk of high interest rates, the geopolitical situation as well as the risk of trade war centred on tariff barriers.

In 2024 impairment charges as regards retail clients totalled an income of DKK 102m (2023: income of DKK 84m). The net income is primarily attributable to amounts recovered from debt previously written off as well as reversed impairment charges.

Outlook for retail clients

The outlook for retail clients in 2025 is believed to be generally positive. Employment is forecast to be high albeit stagnating. Also solid growth in GDP is projected, which to a large extent however is driven by the pharmaceutical sector. In addition private households will benefit from lower interest rates and restrained inflation.

Decent price increases and higher trading activity were seen in the real estate market in the second half of 2024. These trends are expected to continue in 2025.

It is believed that most retail clients are well equipped for the expected trend in 2025 and will be able to cope with the negative effects if the real estate market is hit harder than anticipated.

Loans and advances to retail clients – by product type and rating category

DKKm								2024
Product type	1-2	3-4	5-6	7-9	Default	STD/NR	Total	%
Mortgage-like loans	1,969	246	56	50	3	-	2,324	16.0
Home loans, bridging loans and construction credit facilities	2,814	1,161	222	235	32	14	4,478	30.8
Car loans	1,404	297	38	8	1	284	2,032	14.0
Foreign currency loans and other investment credit facilities	161	154	28	25	1	50	419	2.9
Other loans and advances	2,449	869	146	79	99	1,641	5,283	36.3
Total	**8,797**	**2,727**	**490**	**397**	**136**	**1,989**	**14,536**	**100.0**
Impairment of loans and advances	3	31	34	120	55	51	294	
Total loans and advances	**8,794**	**2,696**	**456**	**277**	**81**	**1,938**	**14,242**	
%	61.7	18.9	3.2	2.0	0.6	13.6	100.0	

DKKm								2023
Product type	1-2	3-4	5-6	7-9	Default	STD/NR	Total	%
Mortgage-like loans	1,785	260	98	50	3	-	2,196	16.8
Home loans, bridging loans and construction credit facilities	2,422	1,369	333	285	34	18	4,461	34.2
Car loans	948	251	47	11	-	481	1,738	13.4
Foreign currency loans and other investment credit facilities	113	169	69	24	2	59	436	3.3
Other loans and advances	2,498	832	300	87	73	431	4,221	32.3
Total	**7,766**	**2,881**	**847**	**457**	**112**	**989**	**13,052**	**100.0**
Impairment of loans and advances	3	32	36	163	73	19	326	
Total loans and advances	**7,763**	**2,849**	**811**	**294**	**39**	**970**	**12,726**	
%	61.0	22.4	6.4	2.3	0.3	7.6	100.0	

Concentration

Under the EU Capital Requirements Regulation (CRR), exposures to a customer or a group of connected customers, after the deduction of particularly secure claims, may not exceed 25% of total capital. The compliance with these rules is reported to the Danish FSA on a quarterly basis.

The table below shows the exposures which after the deduction of particularly secure claims constitute 10% or more of total capital.

DKKm	2024	2023
Exposure > 20% of total capital	-	-
Exposure 10-20% of total capital	1,318	1,374
Total	**1,318**	**1,374**
% of total capital	10.7	11.1

1 exposure to credit institutions after the deduction of particularly secure claims constituted 10% or more of total capital at year-end 2024.

Supervisory Diamond

In accordance with the Group's credit policy, the 20 largest exposures – according to CRR – may not exceed 150% of CET1 capital. The limit is thus fixed under the Supervisory Diamond's threshold of 175% of CET1 capital.

At year-end 2024 the 20 largest exposures – according to CRR – represented 110% (2023: 137%) of CET1 capital.

In addition to calculating exposures according to CRR, Sydbank uses an internal exposure concept – BIS group – that consolidates customers that are financially interdependent as a result of any knock-on effect. Consequently one CRR group may consist of several BIS groups but one BIS group cannot form part of several CRR groups.

Credit policy

In accordance with its credit policy, the Group does not wish to be dependent on or have exposures to large single exposures. This implies among other factors that the following must be observed as the exposures are always calculated according to the principles for BIS groups:

- The 10 largest exposures may, as a rule, not exceed 10% of the Group's total portfolio of exposures (however excluding exposures to credit institutions, investment funds and public authorities).
- After deduction of the loan value of any collateral, the 10 largest exposures may not exceed 7.5% of the total portfolio of exposures (excluding exposures to credit institutions, investment funds and public authorities).
- The 20 largest exposures may not exceed 125% of the Group's total capital.

At year-end 2024 the 10 largest exposures represented 5.8% (2023: 5.7%) of the Group's total portfolio of exposures.

After deduction of the loan value of any collateral, the 10 largest BIS exposures constitute 5.5% (2023: 5.3%) of the total portfolio of exposures.

At year-end 2024 the 20 largest BIS exposures represented 102.6% (2023: 109%) of the Group's total capital.

No exposures (excluding exposures to credit institutions, investment funds and public authorities) represent more than 10% of the Group's total capital.

Loans and advances to corporate clients by amount/rating category

DKKm								2024	2023
Amount	1-2	3-4	5-6	7-9	Default	STD/NR	Total	%	%
0-1	338	450	164	73	47	10	1,082	1.5	1.8
1-5	1,288	2,285	921	405	229	12	5,140	7.3	8.0
5-10	986	1,819	906	302	168	13	4,194	6.0	7.0
10-20	1,683	3,216	1,179	733	256	12	7,079	10.1	10.3
20-50	3,637	4,863	2,088	1,003	272	37	11,900	17.1	17.5
50-100	4,593	4,121	1,820	700	252	68	11,554	16.5	15.9
100-200	7,531	5,237	662	281	-	5	13,716	19.6	19.1
200-500	7,335	3,173	515	-	206	42	11,271	16.1	15.7
500-	2,735	756	588	-	-	-	4,079	5.8	4.7
Total	**30,126**	**25,920**	**8,843**	**3,497**	**1,430**	**199**	**70,015**	**100.0**	**100.0**
2024 (%)	43.0	37.0	12.7	5.0	2.0	0.3	100.0		
2023 (%)	41.6	36.1	15.5	4.8	1.6	0.4	100.0		

The table below shows loans and advances to the Group's 100 largest BIS groups by industry and rating category. Since a BIS group often comprises several industries, the loans and advances to some industries in some rating categories may be modest.

The 100 largest BIS groups represent a total of 35.0% (2023: 34.2%) of the Group's total loans and advances. 90.2% (2023: 89.4%) of these loans and advances are rated in categories 1-4.

Loans and advances to 100 largest groups by industry/rating category

DKKm Amount	1-2	3-4	5-6	7-9	Default	STD/NR	Total	2024 %	2023 %
Building and construction	356	376	-	-	-	-	732	2.5	6.4
Energy supply etc	792	335	-	92	206	-	1,425	4.8	5.7
Real estate	4,096	731	76	38	-	-	4,941	16.8	11.6
Finance and insurance	3,458	957	148	-	-	-	4,563	15.5	11.3
Trade	3,766	3,022	1,119	180	-	-	8,087	27.5	29.7
Hotels and restaurants	-	-	-	-	-	-	-	-	0.0
Manufacturing and extraction of raw materials	989	885	412	-	-	-	2,286	7.8	8.4
Information and communication	-	-	-	-	-	-	-	-	-
Agriculture, hunting, forestry and fisheries	-	72	-	75	-	-	147	0.5	-
Transportation	919	54	101	-	-	-	1,074	3.6	4.6
Other industries	2,860	2,894	234	-	-	-	5,988	20.3	21.6
Public authorities	-	-	-	-	-	-	-	-	-
Retail	172	25	-	-	-	-	197	0.7	0.7
Total	**17,408**	**9,351**	**2,090**	**385**	**206**	**-**	**29,440**	**100.0**	**100.0**
2024 (%)	59.1	31.8	7.1	1.3	0.7	-	100.0		
2023 (%)	59.3	30.1	10.0	0.6	-	-	100.0		

Corporate clients by size of enterprise/rating category, excluding default

% Rating category Net turnover/assets (DKKm)	1-2	3-4	5-6	7-9	Total	2024 Loans/advances and guarantees
0-25	46	32	15	7	100	12
25-50	54	27	14	5	100	8
50-100	44	36	12	8	100	9
100-200	28	47	17	8	100	9
200-400	25	48	21	6	100	13
400-	49	39	9	3	100	44
N/A	58	28	12	2	100	5
Total	**44**	**38**	**13**	**5**	**100**	**100**

Collateral

The Group aims to mitigate the risk on individual exposures by way of charges on assets, netting agreements and guarantees.

The most frequent types of charges include mortgages and charges on financial assets (shares, bonds and units).

The Group receives different kinds of guarantees for exposures. Many of these are provided by companies or individuals who have a group relationship with the debtor.

The Group assesses on an ongoing basis the value of collateral provided. The value is determined as the expected net proceeds on realisation.

The 2 tables below illustrate the breakdown of collateral by type and rating category respectively.

Collateral received and types of collateral

DKKm	2024	2023
Loans and advances at fair value	23,842	16,743
Loans and advances at amortised cost	82,534	74,535
Guarantees	16,154	15,521
Credit exposure for accounting purposes	**122,530**	**106,799**
Collateral value	71,342	63,209
Total unsecured	**51,188**	**43,590**
Types of collateral		
Real estate	12,773	12,542
Financial collateral	31,121	23,220
Lease assets, mortgages etc	7,109	7,138
Floating charges, operating equipment etc	11,595	10,222
Guarantees	1,424	2,036
Other items of collateral	649	101
Total collateral used	**64,671**	**55,259**
Particularly secured transactions (mortgage guarantees)	6,671	7,950
Total	**71,342**	**63,209**

In the event that the Group uses collateral that is not immediately convertible into cash, the Group's policy is to dispose of such assets as quickly as possible. In 2024 repossessed equipment in connection with non-performing exposures amounted to DKK 34m (2023: DKK 11m). Lease assets are assessed and depreciated on an ongoing basis. As a result the calculated collateral as regards the Group's leasing activities will decline during periods of lower lease asset prices.

Collateral represented DKK 71,342m in 2024 – an increase of DKK 8,133m compared to 2023. The increase is predominantly attributable to a rise in financial collateral of DKK 7,901m from DKK 23,220m in 2023 to DKK 31,121m in 2024.

The increase in financial collateral is primarily attributable to the change in loans and advances at fair value which have gone up by DKK 7,099m.

Loans and advances at fair value are repo loans and advances secured by financial collateral.

The table below shows the size of loans and advances, guarantees as well as collateral according to rating category. The value of collateral is assessed relative to loans and advances and guarantees.

Excess collateral is not included in the calculation of collateral. 58.2% (2023: 59.2%) of the Group's loans and advances and guarantees after impairment charges are secured.

Collateral by rating category

DKKm					2024	2023
Rating category	**Loans/advances**	**Guarantees**	**Collateral value**	**Unsecured**	**%**	**%**
1	22,193	5,728	20,487	7,434	14.0	10.7
2	25,086	5,325	12,180	18,231	34.3	36.9
3	27,264	1,999	22,544	6,719	12.5	13.8
4	16,869	1,190	7,267	10,792	20.3	18.8
5	6,832	570	3,135	4,267	8.0	10.6
6	2,501	121	1,510	1,112	2.1	1.9
7	2,163	177	1,278	1,062	2.0	2.1
8	418	39	264	193	0.4	0.2
9	1,313	164	948	529	1.0	1.0
Default	1,566	169	706	1,029	1.9	2.4
STD/NR	2,188	672	1,023	1,837	3.5	1.6
Total	**108,393**	**16,154**	**71,342**	**53,205**	**100.0**	**100.0**
Impairment of loans and advances	2,017	-	-	2,017		
Total	**106,376**	**16,154**	**71,342**	**51,188**		

Impairment charges

Impairment charges are recorded for expected credit losses as regards all financial assets measured at amortised cost and similar provisions are made for expected credit losses as regards undrawn credit commitments and financial guarantees.

Impairment charges for expected credit losses depend on whether the credit risk of a financial asset has increased significantly since initial recognition and follows a 3-stage model. The portfolio acquired from Alm. Brand Bank in stage 3 is recognised under credit impaired at initial recognition:

- **Stage 1** – facilities with no significant increase in credit risk. The asset is written down by an amount equal to the expected credit loss as a result of the probability of default over the coming 12 months.
- **Stage 2** – facilities with a significant increase in credit risk. The asset is transferred to stage 2 and is written down by an amount equal to the expected credit loss over the life of the asset.
- **Stage 3** – facilities where the financial asset is in default or is otherwise credit impaired.
- **Credit impaired at initial recognition** – facilities which were credit impaired at the time of acquisition of Alm. Brand Bank. They are recognised on acquisition at the fair value of the debt acquired.

Impairment calculation is effected quarterly in a process managed by the central credit organisation.

The Group's loans and advances and impairment charges at 31 December 2024 by these stages appear from the table below.

Credit impaired loans and advances – stage 3 – represent 1.9% (2023: 1.5%) of total loans and advances before impairment charges and 0.6% (2023: 0.6%) of total loans and advances.

Impairment charges concerning credit impaired loans and advances as a percentage of credit impaired loans and advances stand at 70.1% (2023: 61.1%).

Loans and advances and impairment charges

					2024
DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total
Loans and advances before impairment charges	74,031	8,855	1,566	99	84,551
Impairment charges	380	599	1,038	-	2,017
Total loans and advances	**73,651**	**8,256**	**528**	**99**	**82,534**
%					
Impairment charges as % of loans and advances	0.5	6.8	66.3	0.0	2.4
Share of loans and advances before impairment charges	87.5	10.5	1.9	0.1	100.0
Share of loans and advances after impairment charges	89.3	10.0	0.6	0.1	100.0

Impairment for the year

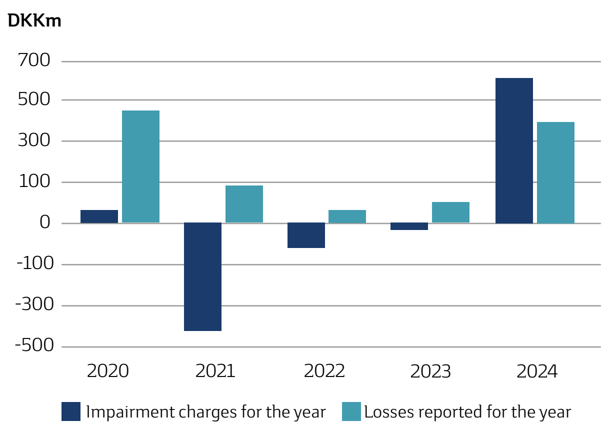
Impairment charges for loans and advances etc represented an expense of DKK 595m in 2024. In 2023 impairment charges constituted an income of DKK 27m. The largest single impairment charge represents DKK 445m and concerns a customer, which is under restructuring with a view to either selling the company or raising capital. DKK 200m has been recognised as a loss.

In 2024 reported losses totalled DKK 406m (2023: DKK 78m). Of the reported losses an impairment charge of DKK 187m has previously been recorded (2023: DKK 49m).

Amounts recovered from debt previously written off represented DKK 65m in 2024 (2023: DKK 102m).

The figure opposite shows the development in impairment charges for loans and advances etc as well as losses reported for the year from 2020 to 2024.

Impairment charges etc and reported losses



Credit impaired loans and advances

Credit impaired loans and advances are equal to loans and advances in stage 3 and credit impaired at initial recognition. The table below shows that the unsecured part of credit impaired loans and advances represents DKK 102m, equivalent to 6.1% (2023: 0.3%) of total credit impaired loans and advances.

Credit impaired loans and advances

DKKm	Credit impaired loans and advances	Impairment charges	Carrying amount	Collateral value	2024 Unsecured part of carrying amount
Corporate	1,482	867	615	530	85
Retail	183	90	93	76	17
Total	**1,665**	**957**	**708**	**606**	**102**

Management estimates to hedge macroeconomic uncertainty

Interest rates and inflation have peaked and are declining. However the geopolitical situation in and around Europe is characterised by tension and war, which may lead to restrictions on world trade, a downturn in Eurozone growth, potential tariff barriers and increased pressure on the industrial sector in the Eurozone due to recurrent inflation. Moreover the cyber threat to Denmark and Danish companies has grown.

At 31 December 2024 the Group had a management estimate of DKK 500m to hedge macroeconomic uncertainty where DKK 400m concerns corporate clients and DKK 100m concerns retail clients. The management estimate to hedge macroeconomic risks covers potential losses related to high interest rates, the geopolitical situation as well as the risk of a trade war centred on tariff barriers.

Credit risks – the Group's corporate clients

The Group's lending to corporate clients totalled DKK 70.2bn at 31 December 2024. In general the Group has not recorded any large losses as regards its corporate client portfolio due to macroenonomic developments and overall the Group's corporate clients appear to be robust. There is a risk that macroeonomic developments may affect some companies' earnings capacity in the years ahead, in particular in scenarios where the economy moves towards actual recession.

Credit risks – the Group's retail clients

The Group's lending to retail clients totalled DKK 14.5bn at 31 December 2024 of which DKK 11.8bn represents home loans, car loans and other retail loans. The Group's retail clients have not displayed signs of weakness due to macroeconomic developments and appear overall to be robust.

Analysis and stress test – the Group's retail and corporate clients

In the light of macroeconomic uncertainty the Group analysed credit risks regarding the Group's corporate portfolio and retail portfolio during 2024. The premise is that the risks regarding the economic outlook are balanced but there are several global uncertainties, such as restrictions on global trade and potential tariff barriers, which can make the path of the economic cycle more bumpy than expected. The analysis shows a need for impairment charges of DKK 500m, which are allocated as shown in the table below.

Calculation of impairment charges under stressed portfolio by stages (DKKm)

Industry	Stages 1 and 2 (without OECI)	Stage 2 (with OECI) and stage 3	Total
Building and construction	11	10	21
Energy supply etc	8	-	8
Real estate	16	6	22
Finance and insurance	38	13	51
Trade	84	34	118
Hotels and restaurants	1	5	6
Manufacturing and extraction of raw materials	38	26	64
Information and communication	2	2	4
Agriculture, hunting, forestry and fisheries	16	24	40
Transportation	9	7	16
Other industries	37	13	50
Public authorities	-	-	-
Retail	70	30	100
Total	**330**	**170**	**500**

Financial counterparties

Trading in securities, currencies and derivatives, as well as payment services etc involve exposure to financial counterparties in the form of delivery risk or credit risk.

Delivery risk is the risk that the Group does not receive payments or securities in connection with the settlement of securities or currency transactions equalling the securities or payments delivered by the Group.

Credits, the Group Executive Management and the Board of Directors grant delivery risk lines and credit risk lines to financial counterparties. Based on the risk profile of the individual counterparty, rating, earnings, capital position as well as size are assessed. Risks and lines to financial counterparties are monitored continuously.

The Group participates in an international foreign exchange settlement system, CLS®, which aims to reduce delivery risk. In CLS® payment is made on the net position for each currency, and only one amount for each currency is paid or received. In addition this net exposure is only to one counterparty, who is the Group's partner in the system.

The Group aims to mitigate credit risk to financial counterparties in many ways, eg by concluding netting agreements (ISDA agreements and GMRA agreements). Moreover the Group has entered into agreements (CSA agreements) with all significant counterparties to ensure credit risk mitigation of derivatives. Exposures are calculated on a daily basis after which the parties settle collateral. Consequently exposures are reset in all material respects on a daily basis. The agreements are managed by Transaction Banking.

Appendix 1 – Supplementary tables

The Group's credit exposure

DKKm							2024
Exposure category	Approach	Gross exposure	Credit risk mitigation	Effect of conversion factors	Exposure (unweighted)	REA	Average exposure for the year
Corporate clients	STD	938	(571)	(169)	198	211	989
	IRB	131,952	(31,823)	(23,437)	76,692	30,472	126,767
Retail clients	STD	2,773	(126)	(903)	1,744	1,307	2,159
	IRB	44,843	(6,653)	(6,766)	31,424	7,787	44,886
Total corporate and retail clients		**180,506**	**(39,173)**	**(31,275)**	**110,058**	**39,777**	**174,801**
Governments, incl municipalities	STD	15,009	0	(114)	14,895	0	17,615
Credit institutions	STD	7,982	(4,745)	(551)	2,685	943	8,101
Total		**203,497**	**(43,918)**	**(31,940)**	**127,639**	**40,720**	**200,517**
Share IRB (%)		86.9	87.6	94.6	84.7	94.0	85.6
Share STD (%)		13.1	12.4	5.4	15.3	6.0	14.4

The Group's credit exposure

DKKm							2023
Exposure category	Approach	Gross exposure	Credit risk mitigation	Effect of conversion factors	Exposure (unweighted)	REA	Average exposure for the year
Corporate clients	STD	931	(427)	(192)	312	340	889
	IRB	122,680	(25,246)	(25,534)	71,900	29,002	129,337
Retail clients	STD	1,285	(47)	(526)	712	502	1,361
	IRB	44,567	(6,481)	(6,872)	31,214	8,740	28,667
Total corporate and retail clients		**169,463**	**(32,201)**	**(33,124)**	**104,138**	**38,584**	**160,254**
Governments, incl municipalities	STD	22,739	(436)	(105)	22,198	0	24,862
Credit institutions	STD	9,450	(7,091)	(243)	2,116	603	12,745
Total		**201,652**	**(39,728)**	**(33,472)**	**128,452**	**39,187**	**197,861**
Share IRB (%)		82.9	79.9	96.8	80.3	96.3	79.9
Share STD (%)		17.1	20.1	3.2	19.7	3.7	20.1

Appendix 1 – Supplementary tables

Credit exposure by industry

DKKm Industry/exposure category	Corporate clients	Retail clients	Other	Total	2024 %
Agriculture, hunting, forestry and fisheries	2,750	2,784		5,534	3.1
Manufacturing and extraction of raw materials	14,094	2,234		16,328	9.0
Energy supply etc	8,534	606		9,140	5.1
Building and construction	5,192	1,949		7,141	3.9
Trade	23,700	4,034		27,734	15.4
Transportation	3,540	742		4,282	2.4
Hotels and restaurants	249	348		597	0.3
Information and communication	549	216		765	0.4
Finance and insurance	14,614	1,274		15,888	8.8
Repo/reverse	25,407	0		25,407	14.1
Real estate	17,122	2,377		19,499	10.8
Other industries	14,104	2,549		16,653	9.2
Sector guarantees	189	0		189	0.1
Retail	2,846	28,503		31,349	17.4
Total corporate and retail clients	**132,890**	**47,616**		**180,506**	**100.0**
Governments, incl municipalities			15,009	15,009	
Credit institutions, repo/reverse			4,974	4,974	
Credit institutions, other			2,971	2,971	
Sector guarantees			37	37	
Total	**132,890**	**47,616**	**22,991**	**203,497**	

Credit exposure by industry

DKKm					2023
Industry/exposure category	Corporate clients	Retail clients	Other	Total	%
Agriculture, hunting, forestry and fisheries	2,614	3,201		5,815	3.4
Manufacturing and extraction of raw materials	13,828	2,580		16,408	9.7
Energy supply etc	8,648	446		9,094	5.4
Building and construction	5,851	1,855		7,706	4.6
Trade	23,748	4,154		27,902	16.5
Transportation	3,528	886		4,414	2.6
Hotels and restaurants	377	207		584	0.3
Information and communication	535	233		768	0.5
Finance and insurance	12,468	1,263		13,731	8.1
Repo/reverse	19,706	0		19,706	11.6
Real estate	16,207	2,744		18,951	11.2
Other industries	13,351	2,657		16,008	9.4
Sector guarantees	190	0		190	0.1
Retail	2,560	25,626		28,186	16.6
Total corporate and retail clients	**123,611**	**45,852**		**169,463**	**100.0**
Governments, incl municipalities			22,739	22,739	
Credit institutions, repo/reverse			7,364	7,364	
Credit institutions, other			2,049	2,049	
Sector guarantees			37	37	
Total	**123,611**	**45,852**	**32,189**	**201,652**	

Appendix 1 – Supplementary tables

Credit exposure to corporate clients by rating category (IRB)

DKKm			Exposure-weighted, average			2024
Rating category	Gross exposure	Exposure after effect of conversion factors	PD (%)	LGD (%)	Risk weight (%)	REA
1	24,925	21,215	0.03	23.4	4.7	1,000
2	42,235	30,906	0.24	24.5	21.4	6,628
3	29,937	26,348	0.48	12.1	15.2	4,006
4	20,749	17,594	0.88	31.6	48.9	8,611
5	6,950	6,013	1.98	32.5	65.7	3,953
6	2,498	2,087	3.64	31.7	76.5	1,597
7	1,988	1,803	6.31	33.2	99.5	1,793
8	363	327	11.75	31.8	128.7	421
9	768	692	23.24	32.2	142.1	983
Default	1,539	1,530	100.00	41.1	96.7	1,480
Total	**131,952**	**108,515**				**30,472**
						2023
1	24,809	20,031	0.03	22.1	5.2	1,032
2	39,835	27,898	0.23	26.4	23.1	6,431
3	23,386	20,574	0.48	14.0	16.7	3,427
4	19,745	15,589	0.85	31.5	49.5	7,724
5	8,995	7,761	2.48	30.9	68.4	5,306
6	1,961	1,749	4.18	32.0	77.3	1,353
7	2,045	1,713	6.53	33.1	98.3	1,684
8	126	108	11.13	35.5	120.7	131
9	691	650	18.40	34.5	134.8	876
Default	1,087	1,073	100.00	40.8	96.8	1,038
Total	**122,680**	**97,146**				**29,002**

The table above shows the breakdown by rating of the gross exposure of corporate clients after the deduction of the conversion factor as well as exposure-weighted LGD, PD and average risk weight. The average risk weight is determined according to the Danish executive order on capital adequacy as a function of LGD and PD. REA is calculated as the exposure after the conversion factor multiplied by the risk weight.

Credit exposure to retail clients by rating category (IRB)

DKKm						2024
		Exposure after	Exposure-weighted, average			
Rating category	Gross exposure	effect of conversion factors	PD (%)	LGD (%)	Risk weight (%)	REA
1	16,766	16,329	0.03	61.4	7.1	1,156
2	10,987	7,940	0.11	46.1	9.2	728
3	7,752	6,070	0.33	47.3	20.1	1,217
4	4,375	3,399	0.79	40.0	30.9	1,050
5	2,266	1,875	1.85	42.9	49.1	921
6	797	701	3.60	39.0	53.9	378
7	716	645	6.44	35.8	53.7	346
8	183	171	8.58	47.8	99.2	170
9	902	848	16.52	48.1	146.5	1,242
Default	99	99	100.00	27.9	584.8	579
Total	**44,843**	**38,077**				**7,787**
						2023
1	14,882	14,478	0.03	61.9	7.1	1,026
2	11,135	8,180	0.12	46.4	9.7	790
3	8,032	6,334	0.33	47.6	20.4	1,289
4	4,746	3,714	0.78	42.3	32.4	1,202
5	3,073	2,539	2.29	42.1	50.6	1,284
6	773	650	3.86	41.0	57.7	375
7	500	447	6.12	44.2	66.1	295
8	346	327	9.44	42.5	91.1	298
9	929	875	14.00	51.3	154.1	1,349
Default	151	151	100.00	25.2	552.1	832
Total	**44,567**	**37,695**				**8,740**

Appendix 1 – Supplementary tables

Credit exposure by client's country of residence

DKKm					2024
	Denmark	Germany	Ireland*	Other	Total
Corporate clients	106,850	10,258	5,765	10,017	132,890
Retail clients	45,220	1,577	3	816	47,616
Total corporate and retail clients	**152,070**	**11,835**	**5,768**	**10,833**	**180,506**
Governments, incl municipalities	4,087	10,922	0	0	15,009
Credit institutions	2,540	361	7	5,074	7,982
Total	**158,697**	**23,118**	**5,775**	**15,907**	**203,497**

* Concerns repo transactions

	Denmark	Germany	Sweden	Other	2023
Corporate clients	106,354	8,811	395	8,051	123,611
Retail clients	43,334	1,843	13	662	45,852
Total corporate and retail clients	**149,688**	**10,654**	**408**	**8,713**	**169,463**
Governments, incl municipalities	8,715	14,024	0	0	22,739
Credit institutions	4,121	312	3,873	1,144	9,450
Total	**162,524**	**24,990**	**4,281**	**9,857**	**201,652**

Credit exposure by exposure category and maturity

DKKm						2024
	Non-allocated	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years	Total
Corporate clients	-	83,991	25,792	12,723	10,384	132,890
Retail clients	-	22,351	3,374	2,437	19,454	47,616
Total corporate and retail clients	**-**	**106,342**	**29,166**	**15,160**	**29,838**	**180,506**
Governments, incl municipalities	171	14,555	280	3	0	15,009
Credit institutions	-	7,532	245	173	32	7,982
Total	**171**	**128,429**	**29,691**	**15,336**	**29,870**	**203,497**
						2023
Corporate clients	-	74,555	26,904	11,171	10,981	123,611
Retail clients	-	21,482	2,310	2,610	19,450	45,852
Total corporate and retail clients	**-**	**96,037**	**29,214**	**13,781**	**30,431**	**169,463**
Governments, incl municipalities	200	21,548	468	83	440	22,739
Credit institutions	-	9,209	16	181	44	9,450
Total	**200**	**126,794**	**29,698**	**14,045**	**30,915**	**201,652**

The table shows the maturity of the Group's exposures broken down into different segments. According to the Group's documents, the majority of corporate exposures can be terminated at very short notice and retail exposures can normally be terminated at a notice of 3 months.

Appendix 1 – Supplementary tables

Credit exposure by credit quality

DKKm	Corporate clients	Retail clients	Other	Total
				2024
Neither past due nor credit impaired	131,057	47,427	22,991	201,475
Past due but not credit impaired	131	43	-	174
Credit impaired	1,702	146	-	1,848
Total	**132,890**	**47,616**	**22,991**	**203,497**
				2023
Neither past due nor credit impaired	122,246	45,509	32,189	199,944
Past due but not credit impaired	95	52	-	147
Credit impaired	1,270	291	-	1,561
Total	**123,611**	**45,852**	**32,189**	**201,652**

Credit impaired exposures represent exposures in stage 3 and credit impaired at initial recognition. Past due amounts consist of loans and advances from a customer's first day of arrears where there is no objective evidence of credit impairment. A very limited share of past due amounts concerns high credit risk customers.

Past due amounts

DKKm			2024			2023
	Corporate clients	Retail clients	Total	Corporate clients	Retail clients	Total
0-30 days	131	43	174	95	52	147
31-60 days	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-
Total	**131**	**43**	**174**	**95**	**52**	**147**

Impairment charges for loans and advances etc recognised in the income statement

DKKm	2024	2023
Impairment and provisions	441	46
Write-offs	219	29
Recovered from debt previously written off	65	102
Total	**595**	**(27)**

Credit impaired loans/advances and guarantees as well as impairment charges and provisions by customer's country of residence

DKKm			2024			2023
	Credit impaired loans/advances and guarantees	Impairment charges and provisions	Credit impaired loans/advances and guarantees after impairment charges	Credit impaired loans/advances and guarantees	Impairment charges and provisions	Credit impaired loans/advances and guarantees after impairment charges
Denmark	1,804	1,079	725	1,333	701	632
Germany	35	33	2	42	36	6
Other	9	2	7	21	9	12
Total	**1,848**	**1,114**	**734**	**1,396**	**746**	**650**

Appendix 2 – Glossary

CEBS	Committee of European Banking Supervisors.
CF	Conversion Factor, ie the proportion of the undrawn credit commitment that the customer is expected to have drawn at default.
CLS®	Continuous Linked Settlement. A settlement system operating on the principle of “payment on delivery”, which minimises the settlement risk of currency transactions concluded between CLS® participants.
CSA	Credit Support Annex. The part of an ISDA agreement that concerns collateral.
Default	When a customer has not honoured all of his payment obligations.
EAD	Exposure At Default. EAD represents the expected size of an exposure, ie how much a customer is expected to owe at the time of default.
GMRA	Global Master Repurchase Agreement. Agreement where the mutual rights, obligations and collateral of 2 or more parties are netted. Credit risk is mitigated by means of netting agreements and collateral.
Gross exposure	Loans and advances, undrawn credit commitments, interest receivable, repo/reverse transactions and guarantees as well as counterparty risk on derivatives. The exposure is determined after impairment charges and provisions.
IRB	Internal Ratings Based approach to manage credit risk and calculate the capital requirement as regards credit risk.
ISDA agreement	International Swaps and Derivatives Association. Agreement where the mutual rights and obligations of 2 or more parties are netted. Credit risk is mitigated by means of netting agreements.
LGD	Loss Given Default. LGD represents the proportion of a given exposure that is expected to be lost if the customer defaults within the next 12 months.
LTV	Loan-to-Value. The loan’s share of the collateral value.
Net exposure	Gross exposure after inclusion of the conversion factor and after deduction of collateral.
PD	Probability of Default. Probability that a customer will default on his obligations within the next 12 months.
REA	Risk Exposure Amount calculated in accordance with prevailing capital adequacy rules.
STD	Standardised approach to calculate credit risk.
Unsecured portion	Following a prudent assessment of collateral provided, the portion of an exposure for which collateral does not exist.

Sydbank A/S
Peberlyk 4
6200 Aabenraa
Denmark

Tel +45 74 37 37 37
sydbank.com
info@sydbank.dk

CVR No DK 12626509