

Interim Report – Q1

2022

Sydbank Group

Sydbank

Sydbank
Denmark's Corporate Bank

Sydbank's Interim Report – Q1 2022

Significant boost in profitability

Q1 2022 – highlights

- Profit for the period of DKK 445m equals a return on equity of 14.1% p.a. after tax
- Core income of DKK 1,200m is 9% higher compared to the same period in 2021
- Impairment charges for loans and advances etc represent an income of DKK 61m
- Bank loans and advances have risen by DKK 4.6bn, equal to an increase of 7% compared to year-end 2021
- Total credit intermediation has increased by DKK 5.1bn, equal to an increase of 3% compared to year-end 2021
- A share buyback of DKK 425m was commenced on 7 March 2022
- The CET1 ratio has declined by 1.4pp compared to year-end 2021 and constitutes 16.5% excluding profit for the period. When including 50% of profit for the period, the CET1 ratio stands at 16.9%

CEO Karen Frøsig comments on Sydbank's Q1 result:

- It is highly satisfactory that the Bank has achieved a significant boost in its profitability. This is due to the effects of our targeted efforts to increase income and reduce costs. At the same time lending continues to grow at a high pace. Loans and advances have gone up by DKK 4.6bn in Q1 and by DKK 10.2bn – equal to 17% – during the most recent 3 quarters.

Board chairman Lars Mikkelsen comments on the launch of the new 3-year strategy plan:

- The results in Q1 represent a highly satisfactory beginning to the new strategy period. The development is consistent with our ambition to **grow our business** and to deliver even greater value to customers and shareholders.

Karen Frøsig elaborates:

- The themes in our new strategy “**Growing our business**” will guide us and ensure that we can meet the strategy's goals of a stronger competitive position. We will focus on the customer and be the workplace for some of our industry's most skilled and dedicated employees.

Outlook for 2022

- Growth is projected in the Danish economy in 2022
- Core income is expected to be higher than in 2021
- Costs (core earnings) are projected to be lower than in 2021
- Impairment charges for 2022 are forecast to be at a low level
- Profit after tax is expected to be in the range of DKK 1,350-1,550m
- The outlook for 2022 is subject to uncertainty and depends on financial market developments and macroeconomic factors

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Group Financial Highlights

	Q1 2022	Q1 2021	Index 22/21	Full year 2021
Income statement (DKK m)				
Core income	1,200	1,105	109	4,436
Trading income	100	73	137	291
Total income	1,300	1,178	110	4,727
Costs, core earnings	799	833	96	3,177
Core earnings before impairment	501	345	145	1,550
Impairment of loans and advances etc	(61)	(81)	75	(415)
Core earnings	562	426	132	1,965
Investment portfolio earnings	(29)	(21)	138	(21)
Profit before non-recurring items	533	405	132	1,944
Non-recurring items, net	37	(32)	-	(180)
Profit before tax	570	373	153	1,764
Tax	125	82	152	353
Profit for the period	445	291	153	1,411
Balance sheet highlights (DKK bn)				
Loans and advances at amortised cost	71.6	61.5	116	67.0
Loans and advances at fair value	21.5	18.2	118	16.9
Deposits and other debt	93.1	93.0	100	93.9
Bonds issued at amortised cost	9.6	9.6	100	13.3
Subordinated capital	1.1	1.9	58	1.9
AT1 capital	0.7	0.8	100	0.8
Shareholders' equity	12.2	11.8	103	12.4
Total assets	163.1	164.8	99	168.2
Financial ratios per share (DKK per share of DKK 10)				
Profit for the period	7.4	4.7		23.0
Share price at end of period	230.8	170.9		206.8
Book value	208.7	198.5		212.6
Share price/book value	1.11	0.86		0.97
Average number of shares outstanding (in millions)	58.4	59.3		59.2
Dividend per share	-	-		12.00
Dividend for 2019 (paid out)	-	-		5.70
Other financial ratios and key figures				
CET1 ratio	16.5	18.1		17.9
T1 capital ratio	17.8	19.5		19.3
Capital ratio	19.1	23.0		22.8
Pre-tax profit as % p.a. of average equity	18.1	12.3		14.1
Post-tax profit as % p.a. of average equity	14.1	9.5		11.2
Costs (core earnings) as % of total income	61.5	70.7		67.2
Return on assets (%)	0.27	0.18		0.84
Interest rate risk	1.2	1.2		1.6
Foreign exchange position	1.6	2.0		1.1
Foreign exchange risk	0.0	0.0		0.0
Liquidity, LCR (%)	171	211		200
Loans and advances relative to deposits	0.6	0.6		0.6
Loans and advances relative to equity	5.9	5.2		5.4
Growth in loans and advances during the period	6.8	2.1		11.3
Total large exposures	150	151		140
Accumulated impairment ratio	2.1	2.6		2.2
Impairment ratio for the period	(0.06)	(0.10)		(0.47)
Number of full-time staff at end of period	2,059	2,166	95	2,077

When calculating financial ratios AT1 capital is considered a liability regardless of the fact that it is accounted for as equity.

Reference is made to financial ratio definitions in the 2021 Annual Report (page 116).

Highlights

Significant boost in profitability

Sydbank's financial statements for Q1 2022 show a profit before tax of DKK 570m compared with DKK 373m in the same period in 2021. Profit before tax equals a return of 18.1% p.a. on average equity.

Profit before tax shows an increase of DKK 197m, which is primarily attributable to a rise in earnings, a decline in costs (core earnings) as well as income as regards extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank.

Core income constitutes DKK 1,200m compared with DKK 1,105m in 2021 – an increase of DKK 95m, equivalent to 9%. The increase is primarily attributable to higher activity and a rise in loans and advances to corporate clients. Corporate clients' drawings under credit facilities have been affected for instance by the repayment of the government's relief packages, which included a deferral of VAT and tax payments. Core income is higher compared with the expectations presented in the 2021 Annual Report.

Trading income in Q1 2022 constitutes DKK 100m, which is an increase of DKK 27m compared with 2021.

Total income amounts to DKK 1,300m, which is an increase of 10% compared to the same period in 2021.

Costs (core earnings) constituted DKK 799m in Q1 2022 – a drop of DKK 34m compared to the same period in 2021.

Impairment charges for loans and advances represent an income of DKK 61m compared with an income of DKK 81m in the same period in 2021.

Core earnings for Q1 2022 represent DKK 562m – an increase of DKK 136m compared with 2021.

Non-recurring items etc total a net income of DKK 37m compared to a net expense of DKK 32m in the same period in 2021. The item includes costs related to the development of housing loan processes, the development of the bank/insurance partnership as well as income by way of extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank.

Profit for the period before tax represents DKK 570m compared to DKK 373m in 2021 – an increase of DKK 197m. Tax represents DKK 125m, equal to an effective tax rate of 22.0%.

Profit for the period amounts to DKK 445m compared with DKK 291m in 2021, equal to a return of 14.1% p.a. on average equity.

Sydbank's strategy for 2022-2024: "Growing our business"

Growing our business centres on 3 themes:

- Better known and bigger
- Sound business
- Stronger competitive position

Better known and bigger – profitable growth
Sydbank has a good reputation – and needs to be better known. On the back of Denmark's Corporate Bank we will increase awareness of Sydbank focusing in particular on large towns and cities. Our growth is profitable and organic and we are in good shape for friendly takeovers. We will incorporate ESG and sustainability in the Bank's products and processes.

Sound business – higher earnings
At Sydbank focus is on banking and sound business. Our employees are highly qualified, proactive and value-creating. We work on the principle of quid pro quo and will increase the Bank's earnings.

Stronger competitive position – efficient bank
We will prioritise the Bank's efforts and reduce costs. We will optimise working procedures and processes to reduce time spent, enhance quality and shorten response times to customers. As a decent and responsible bank our constant focus is on compliance, including IT security.

Strategic goals represent the values from the Bank's underlying philosophy and its core story with promises to its customers, to its employees and to its shareholders.

The strategic goals cover these areas:

- Awareness
- Return on equity
- Rate of costs

Awareness

By means of targeted efforts we will increase awareness of Sydbank and our qualities. We will elevate unaided brand awareness from its current level of around 20% to around 40% by the end of the strategy period.

Return on equity

We will continue to deliver competitive returns to the Bank's shareholders and our goal is a return on equity in the region of 10% in 2024. The expectation of a return on equity in the region of 10% is based on a normalised level of impairment charges in 2024.

Rate of costs

We will continue to work on striking a better balance between income and costs. This will be achieved by continuing to increase income while lowering costs. Lower costs will be achieved by prioritising our initiatives, gaining a better understanding of costs throughout the organisation and continuing to ensure a powerful engine room.

The present rate of costs – 67.2% in 2021 – is expected to have improved to around 60% by the end of the strategy period.

Sydbank – Denmark's Corporate Bank

Sydbank is the bank for the backbone of the Danish corporate sector. With a market share of more than 10% among small and medium-sized enterprises, Sydbank is Denmark's 3rd largest corporate bank.

Sydbank has a unique size. Sufficiently large and competent to match the professional expectations of businesses – yet sufficiently small to be attentive and know their needs and requirements.

Q1 2022 performance

Net interest income has risen by DKK 58m to DKK 492m, equal to 13%. The increase is primarily attributable to higher activity and a rise in loans and advances to corporate clients. Corporate clients' drawings under credit facilities have been affected for instance by the repayment of the government's relief packages, which included a deferral of VAT and tax payments.

Total core income has risen by DKK 95m to DKK 1,200m. The increase is primarily attributable to higher activity and a rise in corporate lending.

Trading income constituted DKK 100m in Q1 2022 compared with DKK 73m in the same period in 2021.

Total income has increased by DKK 122m to DKK 1,300m.

Costs (core earnings) have declined by DKK 34m to DKK 799m.

Impairment charges for loans and advances represent an income of DKK 61m. In the same period in 2021 impairment charges for loans and advances represented an income of DKK 81m.

Core earnings for Q1 2022 represent DKK 562m – an increase of DKK 136m compared with 2021.

Together the Group's position-taking and liquidity handling generated negative investment portfolio earnings of DKK 29m in Q1 2022 compared with negative earnings of DKK 21m a year ago.

Non-recurring items etc total a net income of DKK 37m compared to a net expense of DKK 32m in the same period in 2021. The item includes costs of DKK 12m related to the development of housing loan processes and DKK 2m related to the development of the bank/insurance partnership. In addition extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank have been recognised as income.

Profit before tax for Q1 2022 amounts to DKK 570m compared with DKK 373m in 2021. Tax represents DKK 125m, equal to an effective tax rate of 22.0%.

Profit for the period amounts to DKK 445m compared with DKK 291m in 2021.

Return on shareholders' equity before and after tax constitutes 18.1% and 14.1% respectively against 14.1% and 11.2% respectively at year-end 2021.

Bank loans and advances

Bank loans and advances represented DKK 71.6bn at 31 March 2022 – an increase of DKK 10.1bn since 31 March 2021 and an increase of DKK 4.6bn since year-end 2021.

Bank loans and advances (DKKbn)	31 Mar 2022	31 Dec 2021	31 Mar 2021
Corporate clients	57.9	52.8	46.5
Retail clients	13.7	14.1	15.0
Public authorities	0.0	0.1	0.0
Total	71.6	67.0	61.5

Bank loans and advances to retail clients represent DKK 13.7bn – a decrease of DKK 0.4bn in Q1 2022. The trend has been characterised by favourable conditions in the real property market, which has meant that an increasing share of customers' total housing debt is financed by way of mortgage loans. Arranged mortgage loans – Totalkredit went up by DKK 0.6bn in Q1 2022.

Bank loans and advances to corporate clients represent DKK 57.9bn – an increase of DKK 5.1bn in Q1 2022. The repayment of funds received under the government's relief packages, which included a deferral of VAT and tax payments, has affected corporate lending.

Credit facilities to corporate clients (DKKbn)	31 Mar 2022	31 Dec 2021	31 Mar 2021
Drawn facilities = loans/advances before impairment charges	59.3	54.2	48.0
Undrawn facilities	37.4	39.9	37.8
Total	96.7	94.1	85.8

As a result of the uncertainty in connection with covid-19, many corporate clients have increased their cash resources, which the Bank has accommodated in the form of increased credit commitments. During Q1 2022 corporate clients drew a further DKK 5.1bn under their credit facilities.

Credit facilities to corporate clients rose by DKK 2.6bn to DKK 96.7bn in Q1 2022.

Credit intermediation

In addition to traditional bank loans and advances the Group arranges for mortgage loans from Totalkredit and DLR Kredit. The Group's total credit intermediation comprises bank loans and advances, mortgage-like loans funded by Totalkredit as well as mortgage loans arranged through Totalkredit and DLR Kredit.

Total credit intermediation (DKKbn)	31 Mar 2022	31 Dec 2021	31 Mar 2021
Bank loans and advances	71.6	67.0	61.5
Funded mortgage-like loans	5.4	5.6	6.5
Arranged mortgage loans – Totalkredit	89.8	89.2	87.2
Arranged mortgage loans – DLR	13.6	13.5	12.9
Total	180.4	175.3	168.1

The Group's total credit intermediation represents DKK 180.4bn – an increase of DKK 5.1bn, equal to 3% compared to year-end 2021. The change is attributable to a rise in bank loans and advances of DKK 4.6bn, a decline in funded mortgage-like loans of DKK 0.2bn and an increase in arranged mortgage loans of DKK 0.7bn.

Outlook for 2022

Growth is projected in the Danish economy in 2022.

Core income is expected to be higher than in 2021.

Costs (core earnings) are projected to be lower than in 2021.

Impairment charges for 2022 are forecast to be at a low level.

Profit after tax is expected to be in the range of DKK 1,350-1,550m.

In connection with the release of the 2021 Annual Report, profit after tax was expected to be in the range of DKK 1,150-1,450m in 2022.

On 25 April 2022 the Bank revised its expectations upwards and profit after tax is now expected to be in the range of DKK 1,350-1,550m in 2020.

The outlook for 2022 is subject to uncertainty and depends on financial market developments and macroeconomic factors.

Sydbank's core story

Banking

Sydbank's mission is to be a bank that is close to its customers. We find solutions where they are – quickly and efficiently. We build on relationships between people. And we focus on what is important – banking and sound business. Banking – pure and simple.

Our bank

Rooted in Southern Jutland, Sydbank is a strong and independent nationwide bank operating on its own terms. For the backbone of the Danish corporate sector and for retail clients who value professional advice we are a bank for most people but not the same bank for everyone. Good old-fashioned attentiveness, new technology – we use what works. We know our customers and we are close to them providing advice tailored to their individual needs. Backed by the best business partners our competitive strength is increased. Our bank – excellence and relationships create value.

Sydbank

Our bank makes 3 promises – to our customers, to our employees and to our shareholders. You will know us for the value we create for our customers. You will know us for our belief that excellent and committed employees are our most important asset. And you will know us for always having a level of profitability that will enable us to remain an independent and resourceful bank. Sydbank – what can we do for you?

Financial Review – performance in Q1 2022

The Sydbank Group has recorded a profit before tax of DKK 570m compared to DKK 373m in 2021.

Profit before tax equals a return of 18.1% p.a. on average equity.

Profit for the period after tax represents DKK 445m compared with DKK 291m in 2021.

Profit after tax equals a return of 14.1% p.a. on average equity.

Profit for Q1 2022 exceeds expectations at the beginning of the year.

The financial statements are characterised by the following:

- a rise in core income of DKK 95m, equal to 9%
- an increase in trading income of DKK 27m
- a decline in costs (core earnings) of DKK 34m
- impairment charges for loans and advances represent an income of DKK 61m
- a rise in core earnings of DKK 136m to DKK 562m
- negative investment portfolio earnings of DKK 29m
- non-recurring items etc represent a net income of DKK 37m
- bank loans and advances of DKK 71.6bn (2021: DKK 67.0bn)
- bank deposits of DKK 93.1bn (2021: DKK 93.9bn)
- a CET1 ratio of 16.5% (2021: 17.9%)
- an individual solvency need of 10.7% (2021: 10.6%)

Income statement – Q1 (DKKm)	2022	2021
Core income	1,200	1,105
Trading income	100	73
Total income	1,300	1,178
Costs, core earnings	799	833
Core earnings before impairment	501	345
Impairment of loans and advances etc	(61)	(81)
Core earnings	562	426
Investment portfolio earnings	(29)	(21)
Profit before non-recurring items	533	405
Non-recurring items, net	37	(32)
Profit before tax	570	373
Tax	125	82
Profit for the period	445	291

Core income

Total core income has risen by DKK 95m or 9% to DKK 1,200m. The increase is primarily attributable to higher activity and a rise in loans and advances to corporate clients.

Net interest income has gone up by DKK 58m to DKK 492m. The rise is due to a higher demand for loans by corporate clients. Corporate clients' drawings under credit facilities have been affected for instance by the repayment of the government's relief packages, which included a deferral of VAT and tax payments.

Net income from the cooperation with Totalkredit represents DKK 145m (2021: DKK 141m) after a set-off of loss of DKK 3m (2021: DKK 4m). The cooperation with DLR Kredit has generated an income of DKK 37m (2021: DKK 35m). Compared to 2021 total mortgage credit income represents DKK 183m – an increase of DKK 7m.

Income from remortgaging and loan fees has gone up by DKK 8m to DKK 61m – an increase of 15% compared to 2021. The rise is attributable to a higher level of activity.

The remaining income components have increased by DKK 22m – an increase of 5% compared to 2021.

Core income – Q1 (DKKm)	2022	2021
Net interest etc	492	434
Mortgage credit	183	176
Payment services	51	47
Remortgaging and loan fees	61	53
Commission and brokerage	130	134
Commission etc investment funds and pooled pension plans	82	83
Asset management	89	89
Custody account fees	33	25
Other operating income	79	64
Total	1,200	1,105

Trading income

Compared with a year ago trading income has gone up by DKK 27m to DKK 100m, which is attributable to increased activity at the trading desks due in part to remortgaging activity.

Costs and depreciation

The Group's costs and depreciation total DKK 815m – a decrease of DKK 52m compared to the same period in 2021.

Costs and depreciation – Q1 (DKKm)	2022	2021
Staff costs	462	499
Other administrative expenses	311	330
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	35	31
Other operating expenses	7	7
Total	815	867
Distributed as follows:		
Costs, core earnings	799	833
Costs, investment portfolio earnings	2	2
Non-recurring costs	14	32

Costs (core earnings) represent DKK 799m against DKK 833m in 2021.

At 31 March 2022 the Group's staff numbered 2,059 (full-time equivalent) compared to 2,166 at 31 March 2021 and 2,077 at 31 December 2021.

Compared to year-end 2021 the number of branches is unchanged and is 55 in Denmark and 3 in Germany at end-March 2022.

Core earnings before impairment of loans and advances

Core earnings before impairment charges for loans and advances represent DKK 501m – an increase of DKK 156m or 45% compared to the same period in 2021.

Impairment of loans and advances etc

Impairment charges for loans and advances represent an income of DKK 61m. In the same period in 2021 impairment charges for loans and advances represented an income of DKK 81m.

The Group's impairment charges for loans and advances include a management estimate of DKK 325m (2021: DKK 325m) to cover the consequences of covid-19 on the Group's lending portfolio. The estimate is based on a current assessment of the effects of covid-19 on the Group's lending portfolio and the estimate may change in the coming quarters.

At 31 March 2022 Sydbank's unsecured loans and advances in the weakest rating categories (excluding agriculture) amounted to DKK 578m. These loans and advances are not subject to objective evidence of credit impairment but in the short term they are the most critical in terms of credit impairment due to covid-19.

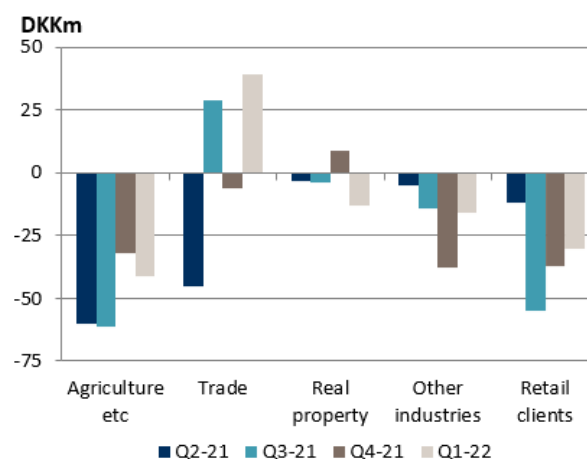
The impairment charges include a management estimate of DKK 125m to hedge the risk of these loans and advances, equal to 22%.

Furthermore impairment charges include a management estimate of DKK 200m to cover unforeseen events as a result of covid-19 as regards the remaining part of the lending portfolio in rating categories 1-6, the credit risk of which is satisfactory or normal.

Consequently management estimates as a result of covid-19 total DKK 325m, which is unchanged compared to year-end 2021. Impairment charges for loans and advances to pig farming comprise a management estimate of DKK 60m (2021: DKK 60m).

The chart below shows impairment charges for loans and advances in the last 4 quarters as regards agriculture etc, trade, real property, other industries as well as retail clients.

Impairment charges – quarterly



At 31 March 2022 accumulated impairment and provisions amounted to DKK 1,961m (2021: DKK 1,974m).

In Q1 2022 reported losses amounted to DKK 9m (Q1 2021: DKK 38m). Of the reported losses an impairment charge of DKK 7m has previously been recorded.

At 31 March 2022 the impairment ratio for the period represented minus 0.06% relative to bank loans and advances and guarantees.

Impairment charges are made 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 follow a 3-

stage model. The portfolio in stage 3 acquired from Alm. Brand Bank 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 (POCI)** – 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.

The Group's loans and advances and impairment charges at 31 March 2022 allocated to these stages are shown below.

Loans/advances and impairment charges – 31 Mar 2022					
(DKKm)	Stage 1	Stage 2	Stage 3	POCI	Total
Loans/advances before impairment charges	68,496	3,686	1,087	153	73,422
Impairment charges	482	700	630	-	1,812
Total loans/advances	68,014	2,986	457	153	71,610

31 Mar 2022	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment charges as % of bank loans/advances	0.7	19.0	58.0	-	2.5
Share of bank loans/advances before impairment charges (%)	93.3	5.0	1.5	0.2	100.0
Share of bank loans/advances after impairment charges (%)	95.0	4.2	0.6	0.2	100.0

Credit impaired bank loans and advances – stage 3 – represent 1.5% (year-end 2021: 1.6%) of total bank loans and advances before impairment charges and 0.6% (year-end 2021: 0.8%) of total bank loans and advances after impairment charges.

Credit impaired bank loans and advances from the acquisition of Alm. Brand Bank – credit impaired at initial recognition – amount to 0.2% of total bank loans and advances before impairment charges and 0.2% of total bank loans and advances after impairment charges.

Impairment charges concerning credit impaired bank loans and advances as a percentage of credit impaired bank loans and advances at 31 March 2022 stand at 58.0% (year-end 2021: 53.8%).

Core earnings

Core earnings for Q1 2022 represent DKK 562m – an increase of DKK 136m compared with 2021.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated negative earnings of DKK 29m in Q1 2022 compared to negative earnings of DKK 21m a year ago.

The negative result for Q1 2022 is primarily due to a combination of interest rate increases and widening credit spreads.

Investment portfolio earnings – Q1 (DKKm)	2022	2021
Position-taking	(22)	(9)
Liquidity generation and liquidity reserves	(9)	(11)
Strategic positions	4	1
Costs	(2)	(2)
Total	(29)	(21)

The interest rate risk at end-Q1 2022 has been composed with the aim of making position-taking neutral to interest rate changes.

Non-recurring items, net

Non-recurring items total a net income of DKK 37m compared to a net expense of DKK 32m in Q1 2021.

In 2022 the item included costs of DKK 12m related to the development of housing loan processes and DKK 2m related to the development of the bank/insurance partnership. In addition DKK 51m has been recognised as income as regards extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank.

In 2021 the item included costs of DKK 9m related to “A stronger bank” and DKK 23m related to the integration of Alm. Brand Bank.

Profit for the period

Profit before tax for Q1 2022 amounts to DKK 570m compared with DKK 373m in 2021. Tax represents DKK 125m, equal to an effective tax rate of 22.0%. Profit for the period amounts to DKK 445m compared with DKK 291m in 2021.

Return

Return on shareholders' equity after tax constitutes 14.1% against 9.5% in Q1 2021.

Earnings per share stands at DKK 7.4 compared with DKK 4.7 in 2021.

Subsidiaries

Profit after tax of the subsidiaries represents DKK 11m (Q1 2021: DKK 8m).

Group - Q1 2022 compared with Q4 2021

The Group's profit before tax represents DKK 570m (Q4 2021: 482m).

Compared to Q4 2021 profit before tax reflects:

- a core income of DKK 1,200m (Q4: DKK 1,156m)
- a trading income of DKK 100m (Q4: DKK 103m)
- costs (core earnings) of DKK 799m (Q4: DKK 782m)
- impairment charges for loans and advances represent an income of DKK 61m (Q4: income of DKK 104m)
- investment portfolio earnings of minus DKK 29m (Q4: DKK 5m)

Quarterly results (DKKm)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Core income	1,200	1,156	1,087	1,088	1,105
Trading income	100	103	47	68	73
Total income	1,300	1,259	1,134	1,156	1,178
Costs, core earnings	799	782	748	814	833
Core earnings before impairment	501	477	386	342	345
Impairment of loans and advances etc	(61)	(104)	(105)	(125)	(81)
Core earnings	562	581	491	467	426
Investment portfolio earnings	(29)	5	(7)	2	(21)
Profit before non-recurring items	533	586	484	469	405
Non-recurring items, net	37	(104)	(27)	(17)	(32)
Profit before tax	570	482	457	452	373
Tax	125	84	89	98	82
Profit for the period	445	398	368	354	291

Total assets

At 31 March 2022 the Group's total assets made up DKK 163.1bn against DKK 168.2bn at year-end 2021.

Assets (DKKbn)	31 Mar 2022	31 Dec 2021
Amounts owed by credit institutions etc	11.6	22.3
Loans and advances at fair value (reverse transactions)	21.5	16.9
Loans and advances at amortised cost (bank loans and advances)	71.6	67.0
Securities and holdings etc	29.3	31.6
Assets related to pooled plans	21.5	22.2
Other assets etc	7.6	8.2
Total	163.1	168.2

The Group's bank loans and advances totalled DKK 71.6bn at 31 March 2022. Compared to year-end 2021 this is an increase of DKK 4.6bn.

Equity and liabilities (DKKbn)	31 Mar 2022	31 Dec 2021
Amounts owed to credit institutions etc	6.4	6.9
Deposits and other debt	93.1	93.9
Deposits in pooled plans	21.5	22.2
Bonds issued	9.6	13.3
Other liabilities etc	18.1	16.4
Provisions	0.3	0.4
Subordinated capital	1.1	1.9
Equity	13.0	13.2
Total	163.1	168.2

The Group's deposits make up DKK 93.1bn. This is a decline of DKK 0.8bn compared to DKK 93.9bn at year-end 2021.

Equity

At 31 March 2022 shareholders' equity constituted DKK 12,151m – a decrease of DKK 262m since the beginning of the year. The change comprises additions from comprehensive income for the period of DKK 487m, net purchases of own shares of DKK 38m as well as dividend paid of DKK 711m.

Capital

On 2 March 2022 the Bank announced a new share buyback programme of DKK 425m, however a maximum of 4 million shares. The share buyback is part of the adjustment to optimise the capital structure in accordance with the Bank's capital targets and capital policy.

The share buyback programme was initiated on 7 March 2022 and will be completed by 30 December 2022. In March 2022 the Group redeemed T2 capital amounting to EUR 100m.

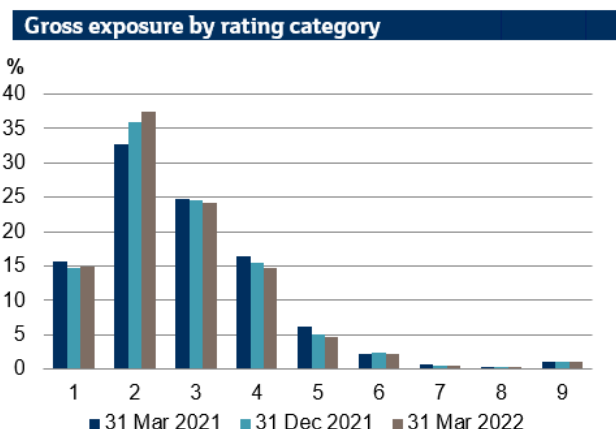
AT1 capital of EUR 75m issued in 2004 can no longer be included in the determination of total capital.

Risk exposure amount

The risk exposure amount represents DKK 59.5bn (year-end 2021: DKK 57.4bn) – an increase of DKK 2.1bn. Credit risk has gone up by DKK 2.5bn, which is predominantly attributable to the increase in bank loans and advances of DKK 4.6bn and guarantees of DKK 2.4bn compared with year-end 2021. Market risk has declined by DKK 0.2bn. Other exposures have gone down by DKK 0.2bn.

REA (DKKbn)	31 Mar 2022	31 Dec 2021
Credit risk	41.3	38.8
Market risk	5.3	5.5
Operational risk	7.2	7.2
Other exposures incl CVA	5.7	5.9
Total	59.5	57.4

The development in the gross exposure by rating category at 31 March 2022, 31 December 2021 and 31 March 2021 appears below.



The gross exposure consists of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown of rating categories. Impairment charges for exposures have not been deducted from the exposure.

The gross exposure by rating category shows a positive development with an increasing share in the 4 best rating categories and a falling share in the 5 poorest rating categories.

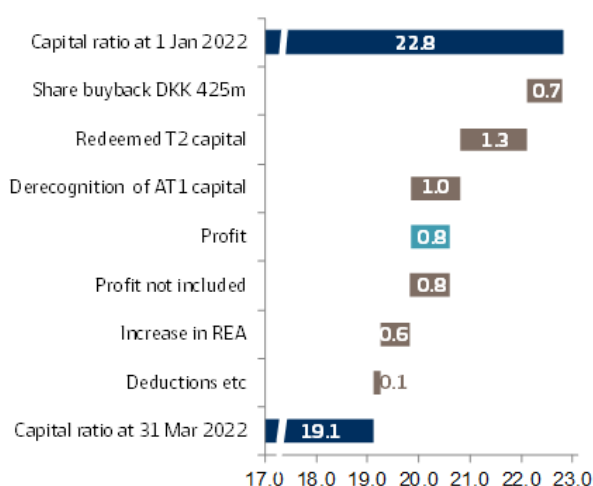
Solvency

Solvency (DKKm)	31 Mar 2022	31 Dec 2021
REA	59,479	57,415
CET1 capital	9,822	10,277
T1 capital	10,566	11,076
Total capital	11,342	13,082
CET1 ratio	16.5	17.9
T1 capital ratio	17.8	19.3
Capital ratio	19.1	22.8

At 31 March 2022 the CET1 ratio and the capital ratio stood at 16.5% and 19.1% respectively compared to 17.9% and 22.8% respectively at year-end 2021.

The development in the capital ratio in Q1 2022 is shown below.

Capital ratio in Q1 2022



Profit for the period is not included in the calculation of capital ratios at 31 March 2022.

The capital ratio declined by 3.7pp in Q1, which was mainly due to the initiated share buyback programme, the redemption of T2 capital as well as the derecognition of AT1 capital.

At 31 March 2022 the individual solvency need represented 10.7% (31 December 2021: 10.6%).

Solvency of the parent

At 31 March 2022 the CET1 ratio and the capital ratio of the parent stood at 16.0% and 18.5% respectively (2021: 17.3% and 22.0%).

Advanced IRB - corporate exposures

Today Sydbank uses the foundation IRB approach to calculate the capital requirement as regards corporate

exposures. The Bank has developed new models and an application was submitted to the Danish FSA on 30 June 2021 to gain approval to use the advanced IRB approach as regards corporate exposures. Its approval is expected in 2022.

Capital and solvency and capital requirements

The Group's capital management is anchored in the Internal Capital Adequacy Assessment Process (ICAAP), a review conducted to identify risks and determine the individual solvency need.

At end-March 2022 the individual solvency need represented 10.7%. The solvency need consists of a minimum capital requirement of 8% under Pillar I and a capital add-on under Pillar II. Approximately 56% of the solvency need must be covered by CET1 capital, equivalent to 6.0% of the risk exposure amount.

In addition to the solvency need the Group must meet a combined buffer requirement of 3.5% at 31 March 2022.

Capital and solvency and capital requirements (% of REA)	31 Mar 2022	31 Dec 2021
Capital and solvency		
CET1 ratio	16.5	17.9
T1 capital ratio	17.8	19.3
Capital ratio	19.1	22.8
Capital requirements (incl buffers)*		
Total capital requirement	14.2	14.1
CET1 capital requirement	9.5	9.5
- of which SIFI buffer	1.0	1.0
- of which capital conservation buffer	2.5	2.5
- of which countercyclical capital buffer	0.0	0.0
Excess capital		
CET1 capital	7.0	8.4
Total capital	4.9	8.7

* The total capital requirement consists of an individual solvency need and a combined buffer requirement. The countercyclical buffer is determined by the Danish Ministry of Industry, Business and Financial Affairs and may not exceed 2.5%. At present the rate has been fixed at 0.0% but it will rise by 1pp at 30 September 2022 and another 1pp at 31 December 2022.

Market risk

At 31 March 2022 the Group's interest rate risk represented DKK 123m. The Group's exchange rate risk continues to be very low and its equity position modest.

Funding and liquidity

The guidelines for calculating the Liquidity Coverage Ratio (LCR) specify a run-off of exposures while taking into account counterparties, funding size, hedging and maturity. Consequently the most stable deposits are favoured relative to large deposits, in particular large deposits from businesses and financial counterparties.

The Group's LCR constituted 171% at 31 March 2022 (31 December 2021: 200%).

LCR (DKKbn)	31 Mar 2022	31 Dec 2021	31 Mar 2021
Total liquidity buffer	41.0	50.4	42.3
Net cash outflows	24.0	25.2	20.1
LCR (%)	171	200	211

The Group meets the LCR requirement of 100% and its excess cover is significant at 31 March 2022.

NSFR

The guidelines for calculating the Net Stable Funding Ratio (NSFR) require that the available stable funding exceeds the required stable funding. The required stable funding is calculated on the basis of the balance sheet values and degree of stability of assets where the strictest requirements in terms of degree of stability are imposed on long-term illiquid assets. The available stable funding is calculated on the basis of the balance sheet values and degree of stability of the funding where the highest degrees of stability apply to equity and long-term funding.

The Group's NSFR constituted 125% at 31 March 2022 (2021: 132%).

NSFR (DKKbn)	31 Mar 2022	31 Dec 2021	31 Mar 2021
Required stable funding	87.2	83.4	82.5
Available stable funding	108.7	110.4	105.0
NSFR (%)	125	132	127

The Group meets the NSFR requirement of 100% and its excess cover is significant at 31 March 2022.

Funding ratio

Funding ratio (DKKbn)	31 Mar 2022	31 Dec 2021	31 Mar 2021
Equity and subordinated capital	14.0	15.1	14.4
SNP loans with maturities > 1 year	9.6	9.6	5.9
Stable deposits	86.0	85.5	84.2
Total stable funding	109.6	110.2	104.5
Bank loans and advances	71.6	67.0	61.5
Funding ratio (%)	153	164	170

The Group's stable funding exceeded the Group's loans and advances by DKK 38bn at 31 March 2022 (2021: DKK 43.2bn).

Rating

Moody's most recent rating of Sydbank:

• Outlook:	Stable
• Long-term deposit:	A1
• Baseline Credit Assessment:	Baa1
• Senior unsecured:	A1
• Short-term deposit:	P-1

Supervisory Diamond benchmarks

The Supervisory Diamond sets up a number of benchmarks to indicate banking activities that initially should be regarded as involving a higher risk. Any breach of the Supervisory Diamond is subject to reactions by the Danish FSA.

Sydbank complies with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond benchmarks	31 Mar 2022	31 Dec 2021	31 Mar 2021
Sum of 20 largest exposures < 175%	150	140	151
Lending growth < 20% annually	16	11	2
Commercial property exposure < 25%	8	8	8
Excess liquidity coverage > 100%	183	221	243

MREL

Once a year the Danish FSA sets the minimum requirement for own funds and eligible liabilities (MREL) for Danish institutions, including Sydbank, which as SIFIs are under an obligation to meet the minimum requirement.

The Group's MREL is based on the risk exposure amount using a factor which has been set at the sum of twice the solvency need plus the combined capital buffer requirement, excluding the countercyclical buffer.

The MREL at 31 March 2022 is as follows:

MREL and excess cover at 31 Mar 2022	Requirement (%)	DKKbn
REA		59,479
Total requirement	24.4	14,513
Total capital		11,342
SNP loans with maturities exceeding 1 year		9,616
Cover of combined buffer requirement		(2,082)
Total MREL	31.7	18,876
MREL excess cover	7.3	4,363

At 31 March 2022 the Group met the MREL with an excess cover of DKK 4,363m. The excess cover corresponds to an increase in the solvency need of 6.8pp or a rise in the risk exposure amount of DKK 17,900m. In connection with the ongoing refinancing of the Group's subordinated capital and MREL capital the Bank will look into the possibilities of potential new issues in the course of 2022.

Leverage ratio

The CRR2 Regulation, which entered into force on 28 June 2021, stipulates a leverage ratio requirement of 3%, which is defined as T1 capital as a percentage of total exposure.

The Group's leverage ratio constituted 6.0% at 31 March 2022 (year-end 2021: 6.2%) taking into account the transitional rules.

SIFI

Sydbank has been designated as a SIFI in Denmark and there is an additional buffer requirement of 1% as regards CET1 capital. The intention is to bring Danish SIFI capital requirements on a par with the requirements in other comparable European countries.

IFRS 9 – transitional effect

To counter an unintended impact on regulatory capital and hence banks' possibilities of supporting lending, a transitional arrangement has been adopted so that any adverse impact from the new impairment model will be phased in over a period. As a result of covid-19 the arrangement has been prolonged until 2024. Sydbank uses the transitional arrangement.

Bank Recovery and Resolution Directive

The directive, including the bail-in provisions, was implemented in Danish law on 1 June 2015. According to legislation each credit institution must meet a minimum requirement for own funds and eligible liabilities (MREL). In December 2021 the Danish FSA set the MREL for Sydbank at 24.4% of the risk exposure amount for the year ahead.

The general resolution principle for SIFIs is that it should be possible to restructure them and send them back to the market with adequate capitalisation to ensure market confidence. The Group's MREL is based on the risk exposure amount using a factor which has been set at the sum of twice the solvency need plus the combined capital buffer requirement, excluding the countercyclical buffer.

The establishment of a resolution fund is underway. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. The resolution fund must be established and have assets at its disposal equal to at least 1% of the

covered deposits of all Danish credit institutions by 31 December 2024.

The Group's contribution to the resolution fund for 2022 is expected to represent DKK 29m.

Basel IV

Since the Basel Committee on Banking Supervision published its recommendations regarding changes to the calculation of capital requirements – Basel IV – in 2017, the EU has worked on implementing these changes into CRR (regulation) or CRD (directive). Some of the proposed changes have already been implemented and at the end of 2021 the EU proposed implementing the remaining elements. It is expected that this implementation will take place on 1 January 2025 at the earliest and that it will take place over an extended period of time and with significant transitional rules. The Group expects that the proposed changes will have a limited impact on the Group's capital requirements.

New definition of default

As of 1 January 2021 the definition of default was changed, which involves a broadening of the concept – and consequently more defaults.

As a result of the Group's use of the foundation IRB approach to calculate the capital requirement as regards corporate clients, the risk exposure amount went up by DKK 5bn. The foundation IRB approach applies a standard LGD rate which was not reduced at the same time. The Group expects that it will achieve a reduction in the risk exposure amount as a consequence of a lower LGD at a later date – either as a result of approval to use the advanced IRB approach or as a result of a reduction in the standard rate of the foundation IRB approach.

Exposures affected by covid-19

The following exposures are considered to be the most affected by covid-19:

- Severely impacted industries
- Weak corporate clients
- Small corporate clients

Severely impacted industries

Mainly businesses within the following industries are considered to be severely impacted by covid-19:

- Sea and air transport
- Specialised retailers, exclusive of cars
- Hotels, restaurants and entertainment

Loans and advances to these industries represented DKK 2.8bn at 31 March 2022, equivalent to 3.9% of total loans and advances of DKK 71.6bn.

Weak corporate clients

Customers who were already weak before the covid-19 crisis (rating categories 7-9 and default) will be even more challenged during times of crisis. Impairment charges are recorded on a regular basis on all customers subject to objective evidence of credit impairment and these customers are given individual focus.

Loans and advances to weak corporate clients without objective evidence of credit impairment (excluding agriculture) total DKK 0.8bn. After deduction of collateral received of DKK 0.2bn, unsecured loans and advances represent DKK 0.6bn.

Small corporate clients

By experience the smallest businesses are often less robust.

Loans and advances to the smallest businesses – with a balance sheet total of less than DKK 5m – represented DKK 1.0bn at 31 March 2022, equivalent to 1.4% of total loans and advances of DKK 71.6bn.

Income Statement

DKKm	Note	Q1 2022	Q1 2021	Full year 2021
Interest income calculated using the effective interest method		561	517	2,081
Other interest income		85	84	283
Interest income	2	646	601	2,364
Interest expense	3	115	111	437
Net interest income		531	490	1,927
Dividends on shares		7	3	25
Fee and commission income	4	702	668	2,624
Fee and commission expense		87	78	324
Net interest and fee income		1,153	1,083	4,252
Market value adjustments	5	165	68	474
Other operating income		6	7	24
Staff costs and administrative expenses	6	773	829	3,237
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		35	31	138
Other operating expenses	8	7	7	33
Impairment of loans and advances etc	9	(59)	(80)	(415)
Profit/(Loss) on holdings in associates and subsidiaries	10	2	2	7
Profit before tax		570	373	1,764
Tax	11	125	82	353
Profit for the period		445	291	1,411
Distribution of profit for the period				
Shareholders of Sydbank A/S		432	277	1,363
Holders of AT1 capital and minority shareholders		13	14	48
Total amount to be allocated		445	291	1,411
Interest paid to holders of AT1 capital		10	10	39
Minority shareholders		3	4	9
Dividend etc		-	-	713
Transfer to equity		432	277	650
Total amount allocated		445	291	1,411
EPS Basic for the period (DKK)*		6.6	4.7	23.0
EPS Diluted for the period (DKK)*		6.6	4.7	23.0
Dividend per share (DKK)		-	-	12.00

* Calculated on the basis of average number of shares outstanding, see page 20.

Statement of Comprehensive Income

Profit for the period	445	291	1,411
Other comprehensive income			
Items that may not be reclassified to the income statement:			
Property revaluation	-	-	28
Value adjustment of certain strategic shares	55	27	92
Other comprehensive income after tax	55	27	120
Comprehensive income for the period	500	318	1,531

Balance Sheet

DKKm	Note	31 Mar 2022	31 Dec 2021	31 Mar 2021
Assets				
Cash and balances on demand at central banks		1,589	5,513	2,237
Amounts owed by credit institutions and central banks	12	9,981	16,798	17,608
Loans and advances at fair value		21,152	16,918	18,196
Loans and advances at amortised cost	13	71,610	67,041	61,518
Bonds at fair value		26,330	28,703	32,583
Shares etc		2,803	2,790	2,481
Holdings in associates etc		174	174	180
Assets related to pooled plans		21,522	22,180	20,346
Intangible assets		394	405	435
Owner-occupied property		1,129	1,131	1,079
Owner-occupied property (leasing)		100	105	93
Total land and buildings		1,229	1,236	1,172
Other property, plant and equipment		43	53	67
Current tax assets		708	349	605
Deferred tax assets		6	6	21
Assets in temporary possession		-	-	1
Other assets	14	5,518	5,955	7,292
Prepayments		65	64	69
Total assets		163,124	168,185	164,811
Equity and liabilities				
Amounts owed to credit institutions and central banks	15	6,421	6,907	6,826
Deposits and other debt	16	93,078	93,877	93,032
Deposits in pooled plans		21,522	22,180	20,346
Bonds issued at amortised cost		9,616	13,313	9,595
Current tax liabilities		19	19	-
Other liabilities	17	18,056	16,447	20,089
Deferred income		7	6	8
Total liabilities		148,719	152,749	149,896
Provisions	18	356	366	505
Subordinated capital	19	1,115	1,858	1,857
Equity:				
Share capital		597	597	597
Revaluation reserves		132	132	104
Other reserves:				
Reserves according to articles of association		425	425	425
Reserve for net revaluation according to equity method		2	2	2
Retained earnings		10,995	10,544	10,640
Proposed dividend etc		-	713	-
Shareholders of Sydbank A/S		12,151	12,413	11,768
Holders of AT1 capital		747	757	747
Minority shareholders		36	42	38
Total equity		12,934	13,212	12,553
Total equity and liabilities		163,124	168,185	164,811

Financial Highlights – Quarterly

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Income statement (DKKm)					
Core income	1,200	1,156	1,087	1,088	1,105
Trading income	100	103	47	68	73
Total income	1,300	1,259	1,134	1,156	1,178
Costs, core earnings	799	782	748	814	833
Core earnings before impairment	501	477	386	342	345
Impairment of loans and advances etc	(61)	(104)	(105)	(125)	(81)
Core earnings	562	581	491	467	426
Investment portfolio earnings	(29)	5	(7)	2	(21)
Profit before non-recurring items	533	586	484	469	405
Non-recurring items, net	37	(104)	(27)	(17)	(32)
Profit before tax	570	482	457	452	373
Tax	125	84	89	98	82
Profit for the period	445	398	368	354	291
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	71.6	67.0	64.3	61.4	61.5
Loans and advances at fair value	21.5	16.9	19.1	20.3	18.2
Deposits and other debt	93.1	93.9	94.1	98.1	93.0
Bonds issued at amortised cost	9.6	13.3	9.6	9.6	9.6
Subordinated capital	1.1	1.9	1.9	1.9	1.9
AT1 capital	0.7	0.8	0.8	0.8	0.8
Shareholders' equity	12.2	12.4	12.5	12.2	11.8
Total assets	163.1	168.2	164.5	169.8	164.8
Financial ratios per share (DKK per share of DKK 10)					
Profit for the period	7.4	6.6	6.0	5.8	4.7
Share price at end of period	230.8	206.8	192.0	193.1	170.9
Book value	208.7	212.6	210.8	205.1	198.5
Share price/book value	1.11	0.97	0.91	0.94	0.86
Average number of shares outstanding (in millions)	58.4	59.2	59.3	59.3	59.3
Dividend per share	-	12.0	-	-	-
Dividend for 2019 (paid out)	-	-	5.7	-	-
Other financial ratios and key figures					
CET1 ratio	16.5	17.9	16.8	17.7	18.1
T1 capital ratio	17.8	19.3	18.1	19.1	19.5
Capital ratio	19.1	22.8	21.5	22.5	23.0
Pre-tax profit as % p.a. of average equity	18.1	15.2	14.4	14.7	12.3
Post-tax profit as % p.a. of average equity	14.1	12.5	11.5	11.4	9.5
Costs (core earnings) as % of total income	61.5	62.1	66.0	70.4	70.7
Return on assets (%)	0.3	0.2	0.2	0.4	0.2
Interest rate risk	1.2	1.6	0.5	1.7	1.2
Foreign exchange position	1.6	1.1	2.5	1.2	2.0
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	171	200	202	235	211
Loans and advances relative to deposits	0.6	0.6	0.6	0.5	0.6
Loans and advances relative to equity	5.9	5.4	5.3	5.0	5.2
Growth in loans and advances during the period	6.8	4.2	4.8	(0.3)	2.1
Total large exposures	150	140	146	141	151
Accumulated impairment ratio	2.1	2.2	2.2	2.4	2.6
Impairment ratio for the period	(0.06)	(0.12)	(0.12)	(0.15)	(0.10)
Number of full-time staff at end of period	2,059	2,077	2,109	2,126	2,166

When calculating financial ratios AT1 capital is considered a liability regardless of the fact that it is accounted for as equity. Reference is made to financial ratio definitions in the 2021 Annual Report (page 116).

Capital

DKK m	Share capital	Revaluation reserves	Reserves acc to articles of association*	Reserve for net revaluation acc to equity method	Retained earnings	Proposed dividend etc	Shareholders of Sydbank A/S	AT1 capital**	Minority shareholders	Total equity
Equity at 1 Jan 2022	597	132	425	2	10,544	713	12,413	757	42	13,212
Profit for the period					432		432	10	3	445
Other comprehensive income					55		55			55
Comprehensive income for the period	-	-	-	-	487	-	487	10	3	500
Transactions with owners										
Purchase of own shares					(345)		(345)			(345)
Sale of own shares					307		307			307
Interest paid on AT1 capital							-	(20)		(20)
Exchange rate adjustment					0		0	0		-
Dividend etc paid						(713)	(713)		(9)	(722)
Dividend, own shares					2		2			2
Total transactions with owners	-	-	-	-	(36)	(713)	(749)	(20)	(9)	(778)
Equity at 31 Mar 2022	597	132	425	2	10,995	-	12,151	747	36	12,934
Equity at 1 Jan 2021	597	104	425	2	10,336	248	11,712	757	37	12,506
Profit for the period					277		277	10	4	291
Other comprehensive income					27		27			27
Comprehensive income for the period	-	-	-	-	304	-	304	10	4	318
Transactions with owners										
Purchase of own shares					(280)		(280)			(280)
Sale of own shares					279		279			279
Interest paid on AT1 capital								(20)		(20)
Exchange rate adjustment					0		0	0		-
Dividend etc paid						(248)	(248)		(6)	(254)
Dividend, own shares					1		1			1
Sale of holdings in subsidiaries									3	3
Total transactions with owners	-	-	-	-	-	(248)	(248)	(20)	(3)	(271)
Equity at 31 Mar 2021	597	104	425	2	10,640	-	11,768	747	38	12,553

* Reserves according to the articles of association equal the undistributable savings bank reserve in accordance with Article 4 of the Articles of Association.

** AT1 capital has no maturity date. Payment of interest and repayment of principal are voluntary. Therefore AT1 capital is accounted for as equity. In May 2018 Sydbank issued EUR 100m with optional redemption on 28 August 2025. The issue carries interest at the Mid-Swap Rate + a margin of 4.62%, a total of 5.25%. Under the issue the loan will be written down if the CET1 ratio of Sydbank A/S or the Sydbank Group drops below 7%.

The Sydbank share	31 Mar 2022	31 Dec 2021	31 Mar 2021
Share capital (DKK)	596,763,200	596,763,200	596,763,200
Shares issued (number)	59,676,320	59,676,320	59,676,320
Shares outstanding at end of period (number)	58,210,397	58,384,311	59,285,471
Average number of shares outstanding (number)	58,362,997	59,186,746	59,286,316

The Bank has only one class of shares as all shares carry the same rights.

Capital

DKKm	31 Mar 2022	31 Dec 2021	31 Mar 2021
Solvency			
CET1 ratio	16.5	17.9	18.1
T1 capital ratio	17.8	19.3	19.5
Capital ratio	19.1	22.8	23.0
Total capital			
Equity, shareholders of Sydbank A/S	12,151	12,413	11,768
Not including profit for the period	(442)	-	(287)
Prudent valuation	(76)	(73)	(86)
Actual or contingent obligations to purchase own shares	(396)	(9)	(10)
Proposed dividend	-	(713)	-
Intangible assets and capitalised deferred tax assets	(341)	(351)	(393)
Significant investments in financial sector	(1,114)	(1,073)	(852)
Transitional arrangement IFRS 9	46	89	86
Insufficient coverage for non-performing exposures	(6)	(6)	-
CET1 capital	9,822	10,277	10,226
AT1 capital – equity	744	744	744
AT1 capital – debt	-	55	55
T1 capital	10,566	11,076	11,025
T2 capital	556	1,802	1,801
Difference between expected losses and impairment for accounting purposes	220	204	159
Total capital	11,342	13,082	12,985
Credit risk*	41,309	38,849	37,501
Market risk	5,331	5,467	5,975
Operational risk	7,195	7,195	6,708
Other exposures incl CVA	5,644	5,904	6,315
REA	59,479	57,415	56,500
Pillar I capital requirements	4,758	4,593	4,520
* Credit risk			
Corporate clients, IRB	30,741	28,508	25,839
Retail clients, IRB	5,933	5,414	5,815
Corporate clients, STD	571	560	670
Retail clients, STD	3,404	3,561	3,980
Credit institutions etc	660	806	1,198
Total	41,309	38,849	37,501

Cash Flow Statement

DKKm	Q1 2022	Full year 2021	Q1 2021
Operating activities			
Profit for the period before tax	570	1,764	373
Taxes paid	(500)	(790)	(546)
<u>Adjustment for non-cash operating items:</u>			
Profit/(Loss) on holdings in associates	0	0	0
Amortisation and depreciation of intangible assets and property, plant and equipment	35	138	31
Impairment of loans and advances/guarantees	(59)	(415)	(80)
Other non-cash operating items	(10)	(149)	(25)
	36	548	(247)
<u>Changes in working capital:</u>			
Credit institutions and central banks	6,405	(5,819)	(6,707)
Trading portfolio	2,305	7,925	4,286
Other financial instruments at fair value	135	241	147
Loans and advances	(8,744)	(5,354)	(1,445)
Deposits	(798)	(2,042)	(2,887)
Other assets/liabilities	1,974	1,209	3,281
Cash flows from operating activities	1,313	(3,292)	(3,572)
Investing activities			
Purchase of holdings in associates	0	(2)	(7)
Sale of holdings in associates	-	0	-
Purchase of equity investments	(6)	(206)	-
Sale of equity investments	61	139	-
Purchase of holdings in subsidiaries	-	-	3
Sale of holdings in subsidiaries	-	3	-
Purchase/sale of intangible assets	0	(1)	-
Purchase of property, plant and equipment	(6)	(152)	(7)
Sale of property, plant and equipment	-	17	-
Cash flows from investing activities	49	(202)	(11)
Financing activities			
Purchase and sale of own holdings	(39)	(198)	-
Dividend etc	(711)	(584)	(247)
Issue of bonds	(4,462)	3,719	-
Cash flows from financing activities	(5,212)	2,937	(247)
Cash flows for the period	(3,850)	(557)	(3,830)
Cash and cash equivalents at 1 Jan	6,324	6,881	6,881
Cash flows for the period	(3,850)	(557)	(3,830)
Cash and cash equivalents at end of period	2,474	6,324	3,051
Cash and cash equivalents at end of period			
Cash and balances on demand at central banks	1,589	5,513	2,237
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	885	811	865
Unencumbered certificates of deposit	-	-	(51)
Cash and cash equivalents at end of period	2,474	6,324	3,051

Segment Reporting etc

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments						
Q1 2022						
Core income	1,081	89	30	-	-	1,200
Trading income	(1)	-	101	-	-	100
Total income	1,080	89	131	-	-	1,300
Costs, core earnings	700	34	45	-	20	799
Impairment of loans and advances etc	(61)	-	-	-	-	(61)
Core earnings	441	55	86	-	(20)	562
Investment portfolio earnings	4	-	-	(33)	-	(29)
Profit before non-recurring items	445	55	86	(33)	(20)	533
Non-recurring items, net	37	-	-	-	-	37
Profit before tax	482	55	86	(33)	(20)	570

Q1 2021

Core income	985	88	32	-	-	1,105
Trading income	-	-	73	-	-	73
Total income	985	88	105	-	-	1,178
Costs, core earnings	740	32	40	-	21	833
Impairment of loans and advances etc	(81)	-	-	-	-	(81)
Core earnings	326	56	65	-	(21)	426
Investment portfolio earnings	1	-	-	(22)	-	(21)
Profit before non-recurring items	327	56	65	(22)	(21)	405
Non-recurring items, net	(32)	-	-	-	-	(32)
Profit before tax	295	56	65	(22)	(21)	373

Operating segments

The Group's segment statements are divided into the following business units: Banking, Asset Management, Sydbank Markets, Treasury and Other.

Banking serves all types of retail and corporate clients.

Asset Management primarily comprises the Bank's advisory-related income from clients and investment funds.

Sydbank Markets comprises trading income as well as a share of the income from clients with decentral affiliation calculated on the basis of the market price thereof. The share represents the payment by Banking for Sydbank Markets' facilities, including advisory services and administration.

Treasury comprises the Group's return on positions handled by Treasury, including liquidity allocation.

Other includes non-recurring items, costs to the Group Executive Management etc as well as return on strategic shareholdings that are not allocated to Banking or Sydbank Markets.

Inter-segment transactions are settled on an arm's length basis. Centrally incurred costs are allocated to the business units in accordance with their estimated proportionate share of overall activities.

Excess liquidity is settled primarily at short-term money market rates whereas other balances are settled on an arm's length basis.

Segment Reporting etc

DKKkm	Core income	Trading income	Costs, core earnings	Impairment of loans/ advances etc	Core earnings	Investment portfolio earnings	Non-recurring items, net	Profit before tax
Correlation between the Group's performance measures and the income statement according to IFRS								
Q1 2022								
Net interest and fee income	1,088	66			1,154	(1)		1,153
Market value adjustments	104	34		2	140	(27)	52	165
Other operating income	6				6			6
Income	1,198	100	-	2	1,300	(28)	52	1,324
Staff costs and administrative expenses			(756)		(756)	(2)	(15)	(773)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(35)		(35)			(35)
Other operating expenses			(7)		(7)			(7)
Impairment of loans and advances etc				59	59			59
Profit/(Loss) on holdings in associates and subsidiaries	2				2			2
Profit before tax	1,200	100	(799)	61	562	(29)	37	570
Q1 2021								
Net interest and fee income	1,005	73			1,078	5		1,083
Market value adjustments	91	-		1	92	(24)		68
Other operating income	7				7			7
Income	1,103	73	-	1	1,177	(19)	-	1,158
Staff costs and administrative expenses			(795)		(795)	(2)	(32)	(829)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(31)		(31)			(31)
Other operating expenses			(7)		(7)			(7)
Impairment of loans and advances etc				80	80			80
Profit/(Loss) on holdings in associates and subsidiaries	2				2			2
Profit before tax	1,105	73	(833)	81	426	(21)	(32)	373

The Sydbank Group's internal reporting is not made on the basis of products and services. Reference is made to notes 2 and 4 for the distribution of interest income as well as fee and commission income.

Notes

Note 1

Accounting policies

The interim report covers the period from 1 January to 31 March 2022 and is prepared in compliance with IAS 34 "Interim Financial Reporting" as adopted by the EU and in compliance with Danish disclosure requirements for interim reports of listed financial companies. As a result of the use of IAS 34, the presentation is less complete compared with the presentation of an annual report and the recognition and measurement principles are in compliance with IFRS.

The accounting policies are consistent with those adopted in the 2021 Annual Report, to which reference is made.

The 2021 Annual Report provides a comprehensive description of the accounting policies applied.

Accounting estimates and judgements

The measurement of certain assets and liabilities requires that management makes accounting estimates as to how future events will affect the value of such assets, liabilities, income and costs. Actual results may deviate from such estimates.

The significant estimates made by management in the use of the Group's accounting policies and the inherent considerable uncertainty of such estimates used in the preparation of the interim report are identical to those used in the preparation of the 2021 Annual Report.

Impairment of loans and advances and provisions for guarantees and undrawn credit commitments are made to take into account the expected losses on conclusion as well as any credit impairment after initial recognition. The determination of impairment charges for expected losses is subject to a number of estimates, including which loans and advances or portfolios of loans and advances are subject to credit impairment as well as calculation of expected losses.

Assessing the degree of credit impairment of exposures involves a number of estimates which may be subject to uncertainty.

To a large extent the determination of expected losses at exposure level is based on risk registrations, models and past experience but it also involves a number of estimates of risks and expected developments in the individual exposure, including the future ability to pay and the value of collateral which in particular comprises mortgages on property. During periods of uncertain economic trends or significant demographic or structural changes uncertainty is greater. This is reflected in the need for management adjustments that by their nature are subject to uncertainty.

The Group's models to calculate impairment of exposures in stages 1 and 2 include expectations as to economic developments. The outlook is based on estimates of the probability of different outcomes of economic growth. The outlook results in a determination of the probability of the scenarios baseline, upturn and downturn.

At 31 March 2022 the probability of the downturn scenario was fixed at 95%, which is unchanged compared with 31 December 2021.

Impairment of exposures in stage 3 and the weak part of stage 2 is based on individual assessments which include expectations of future changes in collateral value etc.

In addition to the calculated impairment charges management estimates whether special impairment charges as regards exposed industries, customer segments or other elements that are estimated as having not yet been reflected in the Bank's registrations are needed.

At 31 March 2022 management's impairment charges of DKK 325m (2021: DKK 325m) have been recorded to cover losses as a result of the economic consequences of covid-19. Management's impairment charges may change in the coming quarters. The impairment charges are described in more detail in the financial review on page 9.

Impairment charges for loans and advances to pig farming comprise a management estimate of DKK 60m (2021: DKK 60m).

The Group's significant risks and the external elements which may affect the Group are described in greater detail in the 2021 Annual Report.

Notes

DKKm	Q1 2022	Q1 2021	Full year 2021
Note 2			
Interest income calculated using the effective interest method			
Amounts owed by credit institutions and central banks	4	2	28
Loans and advances and other amounts owed	423	407	1,606
Other interest income	0	0	1
Interest on amounts owed to credit institutions*	2	4	6
Interest on deposits*	132	104	440
Total	561	517	2,081
Other interest income			
Repo transactions with credit institutions and central banks and repo deposits*	8	8	33
Bonds	16	42	107
Total derivatives	61	34	143
comprising:			
Foreign exchange contracts	12	1	25
Interest rate contracts	49	33	118
Total	85	84	283
Total interest income	646	601	2,364
* Negative interest expense			
Fair value, designated at initial recognition	8	8	33
Fair value, held for trading	77	76	250
Assets recognised at amortised cost	561	517	2,081
Total	646	601	2,364

The Group's cash resources are primarily placed in Danish mortgage bonds. The interest rate risk concerning these positions has been reduced via derivatives. As a result the Group's external income statement is affected in terms of interest income and the market value adjustment of bonds and derivatives. The same applies to the Group's position-taking as regards bonds as well as shares. The breakdown by income statement item does not disclose income independently and consequently these items must be regarded as one as they are in "Segment Reporting" as well as in the Group's financial review, which also takes funding of the positions into account.

Notes

DKKm	Q1 2022	Q1 2021	Full year 2021
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Note 3

Interest expense

Reverse transactions with credit institutions and central banks and reverse loans and advances*	29	24	99
Amounts owed to credit institutions and central banks	0	4	2
Deposits and other debt	22	26	53
Bonds*	6	4	16
Bonds issued	30	32	132
Interest on amounts owed by credit institutions and central banks*	21	14	108
Subordinated capital	6	6	26
Other interest expense	1	1	1
Total	115	111	437

* Negative interest income

Fair value, designated at initial recognition	29	24	99
Fair value, held for trading	6	4	16
Liabilities recognised at amortised cost	80	83	322
Total	115	111	437

Note 4

Fee and commission income

Securities trading and custody accounts	239	250	899
Advisory fee, asset management	94	91	411
Payment services	79	68	313
Loan fees	68	61	201
Guarantee commission	41	39	161
Income concerning funded mortgage-like loans	24	25	93
Other fees and commission	157	134	546
Total fee and commission income	702	668	2,624
Fee expense, asset management	5	2	11
Other fee and commission expense	82	76	313
Total fee and commission expense	87	78	324
Net fee and commission income	615	590	2,300

Except for guarantee commission recognised according to IFRS 9, fee and commission income is recognised according to IFRS 15. The set-off of loss concerning arranged mortgage loans represented DKK 3m in Q1 2022 (Q1 2021: DKK 4m) and has been deducted from commission received which is included under other fees and commission.

Notes

DKKm	Q1 2022	Q1 2021	Full year 2021
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	63	5	80
Bonds	(97)	(16)	(82)
Shares etc	44	50	198
Foreign exchange	58	51	213
Derivatives	96	(23)	65
Assets related to pooled plans	(1,072)	611	2,104
Deposits in pooled plans	1,072	(611)	(2,104)
Other assets/liabilities	1	1	0
Total	165	68	474

Note 6

Staff costs and administrative expenses

Salaries and remuneration:			
Group Executive Management	5	5	21
Board of Directors	2	2	7
Shareholders' Committee	1	1	3
Total	8	8	31
Staff costs:			
Wages and salaries	364	393	1,451
Pensions	40	42	153
Social security contributions	4	4	18
Payroll tax	47	52	193
Total	455	491	1,815
Other administrative expenses:			
IT	199	215	995
Rent etc	19	20	95
Marketing and entertainment expenses	19	15	93
Other costs	73	80	208
Total	310	330	1,391
Total	773	829	3,237

Note 7

Staff

Average number of staff (full-time equivalent)	2,092	2,237	2,168
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Notes

DKKm	Q1 2022	Q1 2021	Full year 2021
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Note 8

Other operating expenses

Contribution to the Resolution Fund	7	7	29
Other expenses	0	0	4
Total	7	7	33

Note 9

Impairment of loans and advances recognised in the income statement

Impairment and provisions	(15)	(55)	(214)
Write-offs	2	6	44
Recovered from debt previously written off	46	31	245
Impairment of loans and advances etc	(59)	(80)	(415)

Impairment and provisions at end of period (allowance account)

Stage 1	320	380	313
Stage 2	619	473	690
Stage 3	697	972	646
Management estimates	325	325	325
Impairment and provisions at end of period	1,961	2,150	1,974

Impairment and provisions

Impairment and provisions at 1 Jan	1,974	2,229	2,229
New impairment charges and provisions during the period, net	(6)	(47)	(158)
Impairment charges previously recorded, now finally written off	7	32	97
Impairment and provisions at end of period	1,961	2,150	1,974

Impairment charges for loans and advances	1,812	1,979	1,830
Provisions for undrawn credit commitments	50	60	48
Provisions for guarantees	99	111	96
Impairment and provisions at end of period	1,961	2,150	1,974

Losses recognised for the period constitute DKK 9m. As regards losses recognised for the period a legal claim of DKK 15m has been upheld. As regards losses recognised a legal claim of DKK 182m has been upheld at year-end 2021.

Notes

DKKm	Loans/advances and guarantees		Impairment charges and provisions		Impairment of loans and advances etc for the period		Loss for the period	
	31 Mar	31 Dec	31 Mar	31 Dec	Q1	Q1	Q1	Q1
	2022	2021	2022	2021	2022	2021	2022	2021
Note 9 – continued								
Loans and advances and guarantees as well as impairment of loans and advances etc by industry								
Agriculture, hunting, forestry and fisheries	4,212	3,894	276	283	(41)	(98)	0	15
<i>Pig farming</i>	955	815	109	92	4	4	0	8
<i>Cattle farming</i>	1,250	1,216	92	122	(38)	(22)	(1)	7
<i>Crop production</i>	986	865	22	22	(12)	(24)	1	0
<i>Other agriculture</i>	1,021	998	53	47	5	(56)	0	0
Manufacturing and extraction of raw materials	11,581	10,416	259	261	(5)	(27)	0	1
Energy supply etc	3,607	3,671	23	26	(4)	(3)	0	0
Building and construction	5,649	5,666	130	130	17	14	0	2
Trade	18,568	16,341	407	364	39	21	1	5
Transportation, hotels and restaurants	3,489	3,362	102	99	(1)	36	0	0
Information and communication	554	485	7	6	1	(1)	0	0
Finance and insurance	7,495	6,769	82	95	(2)	(2)	0	2
Real property	6,496	5,919	64	106	(13)	(32)	0	7
<i>Leasing of commercial property</i>	2,246	1,992	28	8	(11)	(27)	0	6
<i>Leasing of residential property</i>	1,191	1,043	14	20	0	(3)	0	1
<i>Housing/cooperative associations</i>	2,165	1,935	15	15	0	1	0	0
<i>Purchase, development and sale on own account</i>	831	899	5	61	(2)	(3)	0	0
<i>Other related to real property</i>	63	50	2	2	0	0	0	0
Other industries	4,468	4,248	131	146	(20)	8	0	0
Total corporate	66,119	60,771	1,481	1,516	(29)	(84)	1	32
Public authorities	56	119	-	-	-	-	-	-
Retail	29,317	27,703	480	458	(30)	4	8	6
Total	95,492	88,593	1,961	1,974	(59)	(80)	9	38

Notes

DKKm	Q1 2022	Q1 2021	Full year 2021
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Note 10

Profit/(Loss) on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	2	2	7
Total	2	2	7

Note 11

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0
Permanent differences	-	-	(1.7)
Adjustment of prior year tax charges	-	-	(0.3)
Effective tax rate	22.0	22.0	20.0

DKKm	31 Mar 2022	31 Dec 2021	31 Mar 2021
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	5,430	12,478	8,888
Amounts owed by credit institutions	4,551	4,320	8,720
Total	9,981	16,798	17,608
Of which reverse transactions	3,197	2,932	5,001

Notes

DKKkm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2022 Total	31 Dec 2021 Total
Note 13						
Loans and advances, guarantees and allowance account by stage						
Loans and advances before impairment charges	68,496	3,686	1,087	153	73,422	68,871
Guarantees	21,349	546	175	0	22,070	19,722
Total loans and advances and guarantees	89,845	4,232	1,262	153	95,492	88,593
%	94.1	4.4	1.3	0.2	100.0	100.0
Impairment charges for loans and advances	482	700	630		1,812	1,830
Provisions for undrawn credit commitments	27	15	8		50	48
Provisions for guarantees	15	25	59		99	96
Total allowance account	524	740	697	-	1,961	1,974
Allowance account at 1 Jan	525	803	646		1,974	2,229
New impairment charges and provisions during the period, net	(1)	(63)	58		(6)	(158)
Impairment charges previously recorded, now finally written off	-	-	(7)		(7)	(97)
Total allowance account at end of period	524	740	697	-	1,961	1,974
Impairment charges as % of loans and advances	0.7	19.0	58.0		2.5	2.7
Provisions as % of guarantees	0.1	4.6	33.7		0.4	0.5
Allowance account as % of loans and advances and guarantees	0.6	17.5	55.2		2.1	2.2
Loans and advances before impairment charges	68,496	3,686	1,087	153	73,422	68,871
Impairment charges for loans and advances	482	700	630	-	1,812	1,830
Loans and advances after impairment charges	68,014	2,986	457	153	71,610	67,041
%	95.0	4.2	0.6	0.2	100.0	100.0

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2022 Total	31 Dec 2021 Total
Note 13 – continued						
Loans and advances before impairment charges						
Rating category						
1	5,787	4			5,791	5,793
2	21,473	6			21,479	19,629
3	20,278	19			20,297	18,108
4	10,978	36			11,014	10,428
5	3,885	872			4,757	4,640
6	1,753	496			2,249	2,290
7	112	521			633	393
8	71	206			277	232
9		1,385			1,385	1,517
Default			1,040		1,040	1,076
NR/STD	4,159	141	47	153	4,500	4,765
Total	68,496	3,686	1,087	153	73,422	68,871
Impairment of loans and advances						
Rating category						
1	39				39	38
2	117				117	112
3	93	1			94	88
4	81	1			82	81
5	29	32			61	58
6	41	33			74	75
7	30	119			149	54
8		46			46	38
9		384			384	506
Default			591		591	569
NR/STD	52	84	39		175	211
Total	482	700	630		1,812	1,830
Loans and advances after impairment charges						
Rating category						
1	5,748	4			5,752	5,755
2	21,356	6			21,362	19,517
3	20,185	18			20,203	18,020
4	10,897	35			10,932	10,347
5	3,856	840			4,696	4,582
6	1,712	463			2,175	2,215
7	82	402			484	339
8	71	160			231	194
9		1,001			1,001	1,011
Default			449		449	507
NR/STD	4,107	57	8	153	4,325	4,554
Total	68,014	2,986	457	153	71,610	67,041

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2022 Total	31 Dec 2021 Total
Note 13 – continued						
Loans and advances before impairment charges						
1 Jan	64,296	3,306	1,098	171	68,871	62,278
Transfers between stages						
Additions concerning portfolio acquired						
Transferred to stage 1	582	(571)	(11)			
Transferred to stage 2	(970)	1,042	(72)			
Transferred to stage 3	(60)	(85)	145			
New exposures	6,219	205	57		6,481	17,788
Redeemed exposures	(3,927)	(219)	(62)		(4,208)	(11,952)
Changes in balances	2,356	8	(208)	(18)	2,138	894
Write-offs			140		140	(137)
End of period	68,496	3,686	1,087	153	73,422	68,871
Impairment of loans and advances						
1 Jan	482	757	591		1,830	2,049
Transfers between stages						
Additions concerning portfolio acquired						
Transferred to stage 1	110	(106)	(4)			
Transferred to stage 2	(19)	44	(25)			
Transferred to stage 3	(2)	(28)	30			
New exposures	53	56	22		131	882
Redeemed exposures	(30)	(113)	111		(32)	(870)
Changes in balances	(112)	90	(237)		(259)	(134)
Write-offs			142		142	(97)
End of period	482	700	630	-	1,812	1,830
Loans and advances after impairment charges						
1 Jan	63,814	2,549	507	171	67,041	60,229
Transfers between stages						
Additions concerning portfolio acquired						
Transferred to stage 1	472	(465)	(7)			
Transferred to stage 2	(951)	998	(47)			
Transferred to stage 3	(58)	(57)	115			
New exposures	6,166	149	35		6,350	16,906
Redeemed exposures	(3,897)	(106)	(173)		(4,176)	(11,082)
Changes in balances	2,468	(82)	29	(18)	2,397	1,028
Write-offs			(2)		(2)	(40)
End of period	68,014	2,986	457	153	71,610	67,041

Notes

DKKkm	31 Mar 2022	31 Dec 2021	31 Mar 2021
Note 14			
Other assets			
Positive market value of derivatives etc	3,578	3,399	4,076
Sundry debtors	774	1,105	1,087
Interest and commission receivable	95	121	180
Cash collateral provided, CSA agreements	1,071	1,330	1,949
Other assets	0	0	0
Total	5,518	5,955	7,292
Note 15			
Amounts owed to credit institutions and central banks			
Amounts owed to central banks	7	5	5
Amounts owed to credit institutions	6,414	6,902	6,821
Total	6,421	6,907	6,826
Of which repo transactions	2,333	2,790	3,957
Note 16			
Deposits and other debt			
On demand	85,527	85,717	85,136
At notice	141	144	229
Time deposits	3,397	3,877	3,521
Special categories of deposits	4,013	4,139	4,146
Total	93,078	93,877	93,032
Of which repo transactions	2,626	3,363	3,207
Note 17			
Other liabilities			
Negative market value of derivatives etc	3,663	3,520	4,275
Sundry creditors	5,154	4,911	4,094
Negative portfolio, reverse transactions	8,619	7,317	10,912
Lease liability	101	105	98
Interest and commission etc	43	78	47
Cash collateral received, CSA agreements	476	516	663
Total	18,056	16,447	20,089

Notes

DKK m	31 Mar 2022	31 Dec 2021	31 Mar 2021
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Note 18

Provisions

Provisions for pensions and similar obligations	3	3	2
Provisions for deferred tax	202	202	306
Provisions for guarantees	99	112	137
Other provisions*	52	49	60
Total	356	366	505

* Other provisions mainly concern provisions for onerous contracts and legal actions.

Note 19

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
2.125 (fixed)	1)	Bond loan	EUR 100	11 Mar 2027	-	744	743
1.298 (floating)	2)	Bond loan	EUR 75	2 Nov 2029	557	556	556
0.323 (floating)	3)	Bond loan	EUR 75	Perpetual	558	558	558
Total T2 capital					1,115	1,858	1,857
Total subordinated capital					1,115	1,858	1,857

1) Redeemed on 11 March 2022.

2) Optional redemption from 2 November 2024 after which the interest rate will be fixed at 1.85% above 3M EURIBOR.

3) The interest rate follows the 10Y Mid-Swap plus a margin of 0.2%.

Costs relating to the raising and redemption of subordinated capital	0	0	0
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Note 20

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	6,952	6,802	5,918
Mortgage finance guarantees	4,988	5,329	5,158
Funded mortgage-like loan guarantees	902	945	1,124
Registration and remortgaging guarantees	7,437	4,797	5,778
Other contingent liabilities	1,791	1,849	2,514
Total	22,070	19,722	20,492

Other obligating agreements

Irrevocable credit commitments	634	867	1,078
Other liabilities	7	7	7
Total	641	874	1,085

Notes

	31 Mar 2022	31 Dec 2021	31 Mar 2021
DKKm			

Note 20 – continued

Totalkredit loans arranged for by Sydbank are comprised by an agreed right of set-off against future current commission which Totalkredit may invoke in the event of losses on the loans arranged.

Sydbank does not expect that this set-off will have a significant effect on Sydbank's financial position.

As a result of the Bank's membership of Bankdata, the Bank is obligated to pay an exit charge in the event of exit.

As a result of the statutory participation in the deposit guarantee scheme, the industry paid an annual contribution of 2.5‰ of covered net deposits until the Banking Department's capital exceeded 1% of total covered net deposits, which was reached at year-end 2015. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which are attributable to covered net deposits. Any losses as a result of the final winding-up will be covered by the Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 6.6% of any losses.

As a result of the statutory participation in the resolution financing arrangement (the Resolution Fund), credit institutions pay an annual contribution over a 10-year period to reach a target funding level totalling 1% of covered deposits. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. Sydbank expects that contributions will total approximately DKK 220m over a 10-year period.

The Group is party to legal actions. These legal actions are under continuous review and the necessary provisions made are based on an assessment of the risk of loss. Pending legal actions are not expected to have any significant impact on the financial position of the Group.

Note 21

Collateral

At 31 March 2022 the Group had deposited as collateral securities at a market value of DKK 179m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc. In addition the Group has provided cash collateral of DKK 1,072m and deposited as collateral securities at a market value of DKK 190m in connection with CSA agreements.

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet and consideration received is recognised as a debt. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

In connection with reverse transactions, which involve purchasing securities to be resold at a later date, the Group is entitled to sell the securities or deposit them as collateral for other loans. The securities are not recognised in the balance sheet and consideration paid is recognised as a receivable.

Assets received as collateral in connection with reverse transactions may be sold to a third party. In such cases a negative portfolio may arise as a result of the accounting rules. This is recognised under "Other liabilities".

Assets sold as part of repo transactions

Bonds at fair value	4,930	6,139	7,131
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Assets purchased as part of reverse transactions

Bonds at fair value	24,169	19,923	23,339
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Notes

DKKm	Q1 2022	Q1 2021	Index 22/21	31 Dec 2021
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Note 22

Related parties

Sydbank is the bank of a number of related parties. Transactions with related parties are settled on an arm's length basis.

No unusual transactions took place with related parties in Q1 2022. Reference is made to the Group's 2021 Annual Report for a more detailed description of related party transactions.

Note 23

Reporting events occurring after the balance sheet date

After the expiry of Q1 no matters of significant impact on the financial position of the Sydbank Group have occurred.

Note 24

Large shareholders

Silchester International Investors LLP, London, owns more than 5% of Sydbank's share capital.

Note 25

Core income

Net interest etc	492	434	113	1,776
Mortgage credit*	183	176	104	693
Payment services	51	47	109	203
Remortgaging and loan fees	61	53	115	169
Commission and brokerage	130	134	97	470
Commission etc investment funds and pooled pension plans	82	83	99	340
Asset management	89	89	100	380
Custody account fees	33	25	132	115
Other operating income	79	64	123	290
Total	1,200	1,105	109	4,436

* Mortgage credit

Totalkredit cooperation	148	145	102	557
Totalkredit, set-off of loss	3	4	75	13
Totalkredit cooperation, net	145	141	103	544
DLR Kredit	37	35	106	147
Other mortgage credit income	1	0	-	2
Total	183	176	104	693

Notes

DKKm	FVPL	Fair value option	FVOCI	Total fair value	31 Mar 2022 Amortised cost
Note 26					
Fair value disclosure					
Financial instruments are included in the balance sheet either at fair value or at amortised cost.					
The table below breaks down financial instruments by valuation technique.					
Financial assets					
Cash and balances on demand at central banks				-	1,589
Amounts owed by credit institutions and central banks	3,197			3,197	6,784
Loans and advances at fair value	21,152			21,152	-
Loans and advances at amortised cost				-	71,610
Bonds at fair value	14,437	11,893		26,330	-
Shares etc	165	2,162	476	2,803	-
Assets related to pooled plans		21,522		21,522	-
Land and buildings			1,229	1,229	-
Other assets	3,587	12		3,599	1,919
Total	42,538	35,589	1,705	79,832	81,902
Undrawn credit commitments				-	50,788
Maximum credit risk, collateral not considered	42,538	35,589	1,705	79,832	132,690
Financial liabilities					
Amounts owed to credit institutions and central banks	2,333			2,333	4,088
Deposits and other debt	2,626			2,626	90,452
Deposits in pooled plans		21,522		21,522	-
Bonds issued at amortised cost				-	9,616
Other liabilities	12,286			12,286	515
Subordinated capital				-	1,115
Total	17,245	21,522	-	38,767	105,786

Notes

DKKm	FVPL	Fair value option	FVOCI	Total fair value	31 Dec 2021 Amortised cost
Note 26 – continued					
Financial assets					
Cash and balances on demand at central banks				-	5,513
Amounts owed by credit institutions and central banks	2,932			2,932	13,866
Loans and advances at fair value	16,918			16,918	-
Loans and advances at amortised cost				-	67,041
Bonds at fair value	28,703			28,703	-
Shares etc	2,381		409	2,790	-
Assets related to pooled plans		22,180		22,180	-
Land and buildings			1,236	1,236	-
Other assets	3,451			3,451	1,399
Total	54,385	22,180	1,645	78,210	87,819
Undrawn credit commitments				-	53,320
Maximum credit risk, collateral not considered	54,385	22,180	1,645	78,210	141,139
Financial liabilities					
Amounts owed to credit institutions and central banks	2,790			2,790	4,117
Deposits and other debt	3,363			3,363	90,514
Deposits in pooled plans		22,180		22,180	-
Bonds issued at amortised cost				-	13,313
Other liabilities	10,831			10,831	594
Subordinated capital				-	1,858
Total	16,984	22,180	-	39,164	110,396

To take into account changes in credit risk concerning derivatives with positive fair value, an adjustment is made – CVA. CVA is a function of the risk of counterparty default (PD), the expected positive exposure and the loss ratio in the event of default. PD is determined on the basis of the Group's credit models – default probability in 12 months. PD beyond 12 months is adjusted on the basis of market data of exposures with a similar PD level.

At 31 March 2022 CVA constituted DKK 17m compared to DKK 19m at year-end 2021.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At 31 March 2022 client margins presently not recognised as income totalled DKK 13m compared to DKK 19m at year-end 2021.

Financial instruments recognised at fair value

Measurement of financial instruments is based on quoted prices from an active market, on generally accepted valuation models with observable market data or on available data that only to a limited extent are observable market data.

Measurement of financial instruments for which prices are quoted in an active market or which is based on generally accepted valuation models with observable market data is not subject to significant estimates.

As regards financial instruments where measurement is based on available data that only to a limited extent are observable market data, measurement is subject to estimates. Such financial instruments appear from the column unobservable inputs below and include primarily unlisted shares, including shares in DLR Kredit A/S.

The fair value of unlisted shares and other holdings is calculated on the basis of available information on trades etc – including to a very significant extent according to shareholders' agreements based on book value. To an insignificant extent fair value is calculated on the basis of expected cash flows.

A 10% change in the calculated market value of financial assets measured on the basis of unobservable inputs will affect profit before tax by DKK 250m (31 December 2021: DKK 255m).

Notes

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Carrying amount
Note 26 – continued					
31 Mar 2022					
Financial assets					
Amounts owed by credit institutions and central banks		3,197		3,197	3,197
Loans and advances at fair value		21,152		21,152	21,152
Bonds at fair value		26,330		26,330	26,330
Shares etc	603	38	2,162	2,803	2,803
Assets related to pooled plans	14,185	7,337		21,522	21,522
Land and buildings			1,229	1,229	1,229
Other assets	221	3,378		3,599	3,599
Total	15,009	61,432	3,391	79,832	79,832
Financial liabilities					
Amounts owed to credit institutions and central banks		2,333		2,333	2,333
Deposits and other debt		2,626		2,626	2,626
Deposits in pooled plans		21,522		21,522	21,522
Other liabilities	245	12,041		12,286	12,286
Total	245	38,522	-	38,767	38,767
31 Dec 2021					
Financial assets					
Amounts owed by credit institutions and central banks		2,932		2,932	2,932
Loans and advances at fair value		16,918		16,918	16,918
Bonds at fair value		28,703		28,703	28,703
Shares etc	554	53	2,183	2,790	2,790
Assets related to pooled plans	14,802	7,378		22,180	22,180
Land and buildings			1,236	1,236	1,236
Other assets	197	3,254		3,451	3,451
Total	15,553	59,238	3,419	78,210	78,210
Financial liabilities					
Amounts owed to credit institutions and central banks		2,790		2,790	2,790
Deposits and other debt		3,363		3,363	3,363
Deposits in pooled plans		22,180		22,180	22,180
Other liabilities	214	10,617		10,831	10,831
Total	214	38,950	-	39,164	39,164

DKKm	31 Mar 2022	31 Dec 2021	31 Mar 2021
Assets measured on the basis of unobservable inputs			
Carrying amount at 1 Jan	2,183	2,092	2,092
Additions	1	60	-
Disposals	61	113	63
Market value adjustment	39	144	40
Carrying amount at end of period	2,162	2,183	2,069
Recognised in profit for the period			
Dividend	0	17	0
Market value adjustment	39	145	40
Total	39	162	40

Notes

DKK m	31 Mar 2022	31 Dec 2021	31 Mar 2021
Note 27			
Leverage ratio			
Leverage ratio exposures			
Total assets	163,124	168,185	164,811
Of which pooled assets	(21,522)	(22,180)	(20,346)
Correction derivatives etc	5,070	5,053	8,978
Guarantees etc	22,070	19,722	20,493
Undrawn credit commitments etc	9,707	10,348	11,141
Other adjustments	(2,533)	(2,425)	(1,152)
Total	175,916	178,703	183,925
T1 capital – current (transitional rules)	10,520	11,076	11,025
T1 capital – fully loaded	10,566	10,932	10,969
Leverage ratio (%) – current (transitional rules)	6.0	6.2	6.0
Leverage ratio (%) – fully loaded	6.0	6.1	6.0

31 Mar 2022	Activity	Share capital (m)		Equity (DKK m)	Profit/(Loss) (DKK m)	Ownership share (%)
Note 28						
Group holdings and enterprises						
Sydbank A/S		DKK	597			
Consolidated subsidiaries						
Syd ABB A/S, Aabenraa under voluntary liquidation	Invt & admin.	DKK	21	97	0	100
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	11	28	2	100
Syd Administration A/S, Aabenraa	Invt & admin.	DKK	300	2,017	(1)	100
Syd Fund Management A/S, Aabenraa	Administration	DKK	100	109	9	67
Held for sale						
Green Team Group A/S, Sønder Omme*	Wholesale	DKK	101	25	(4)	100
Holdings in associates						
Foreningen Bankdata, Fredericia*	IT	DKK	472	451	(14)	36
Komplementarselskabet Core Property Management A/S, Copenhagen*	Real property	DKK	1	1	0	20
Core Property Management P/S, Copenhagen*	Real property	DKK	5	54	32	20

* Financial information according to the companies' most recently published annual reports (2021).

Management Statement

We have reviewed and approved the Interim Report – Q1 2022 of Sydbank A/S.

The consolidated interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. Furthermore the interim financial statements (of the parent company) are prepared in compliance with Danish disclosure requirements for interim reports of listed financial companies. Furthermore the consolidated financial statements are prepared in compliance with Danish disclosure requirements for listed financial companies.

The Interim Report has not been audited or reviewed.

In our opinion the interim financial statements give a true and fair view of the Group’s and the parent company’s assets, equity and liabilities and financial position at 31 March 2022 and of the results of the Group’s and the parent company’s operations and consolidated cash flows for the period 1 January – 31 March 2022.

Moreover it is our opinion that the management’s review includes a fair review of the developments in the Group’s and the parent company’s operations and financial position as well as a description of the most significant risks and elements of uncertainty which may affect the Group and the parent company.

Aabenraa, 4 May 2022

Group Executive Management

Karen Frøsig
CEO

Bjarne Larsen

Jørn Adam Møller

Board of Directors

Lars Mikkelsen-Jensen
Chairman

Jacob Chr. Nielsen
Vice-Chairman

Carsten Andersen

Henrik Hoffmann

Søren Holm

Janne Moltke-Leth

Jarl Oxlund

Gitte Poulsen

Susanne Schou

Jon Stefansson

Jørn Krogh Sørensen

Pia Wrang

Supplementary Information

Financial calendar

In 2022 the Group's preliminary announcement of financial statements will be released as follows:

- Interim Report – First Half 2022
24 August 2022
- Interim Report – Q1-Q3 2022
2 November 2022

Sydbank contacts

Karen Frøsig, CEO
Tel +45 74 37 20 00

Jørn Adam Møller, Deputy Group Chief Executive
Tel +45 74 37 20 30

Address

Sydbank A/S
Peberlyk 4
6200 Aabenraa, Denmark
Tel +45 74 37 37 37
CVR No DK 12626509

Relevant links

sydbank.dk
sydbank.com

For further information reference is made to Sydbank's 2021 Annual Report at sydbank.com.