

Interim Report – Q1

2023

Sydbank Group

Historically high income
– a strong start to the year



Highlights Q1 2023

Historically high income – a strong start to the year

Profit

Profit of DKK 734m – **ROE of 22.1%** p.a. after tax

Core income

Core income of DKK 1,635m in Q1 2023 – **up by 36%** compared with Q1 2022

Costs

Costs (core earnings) at DKK 797m in Q1 2023 – compared with DKK 799m Q1 2022

Impairment charges

Impairment charges (loans and advances): an **income of DKK 10m** in Q1 2023

Bank loans

DKK 1.2bn increase in bank loans in Q1 2023

CET1 ratio

CET1 ratio of 18.2% – up by 0.9pp in Q1 2023

Core income – growth of 36%

DKKm	Q1 2023	Q1 2022	Index	Q1 2023	Q4 2022	Index
Net interest income etc	986	492	200	986	836	118
Mortgage credit	140	183	77	140	143	98
Payment services	60	51	118	60	62	97
Remortgaging and loan fees	49	61	80	49	59	83
Commission and brokerage	124	130	95	124	126	98
Commission etc investment funds and pooled pension plans	76	82	93	76	80	95
Asset management	84	89	94	84	84	100
Custody account fees	26	33	79	26	22	118
Other operating income	90	79	114	90	92	98
Total	1.635	1.200	136	1.635	1.504	109

Key points Q1 2023 vs Q1 2022

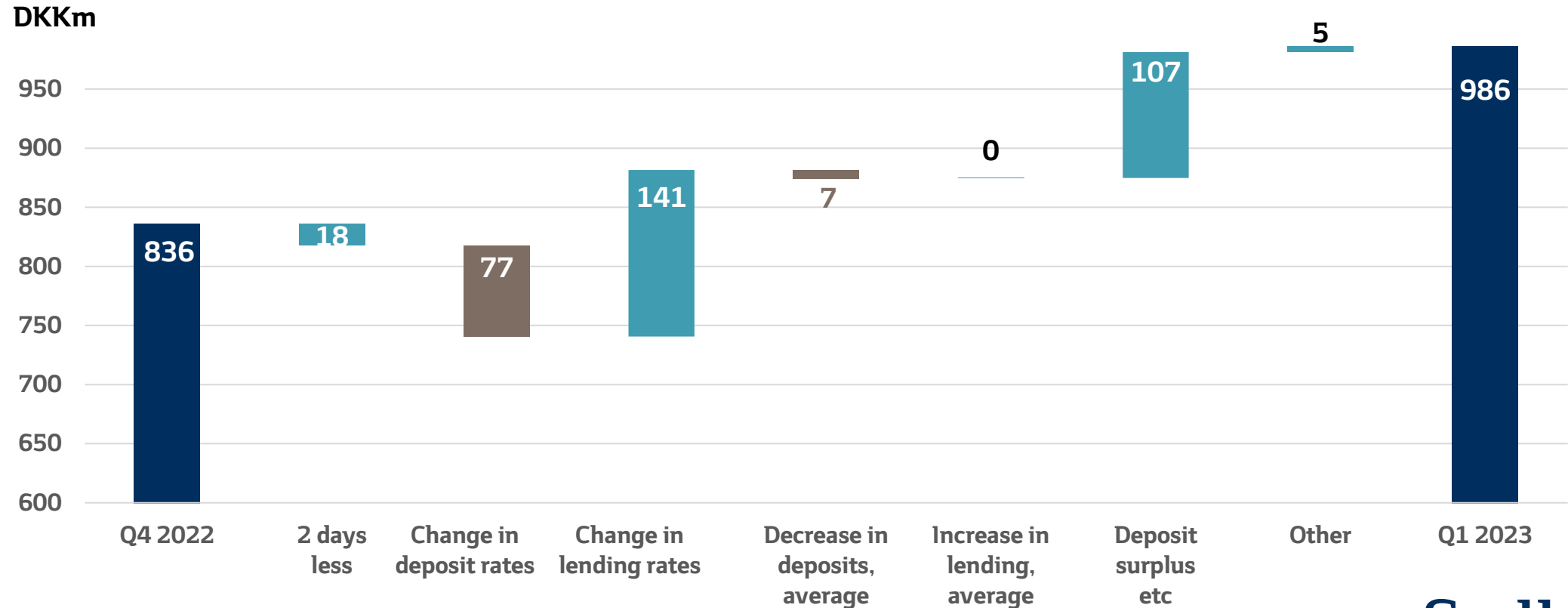
- Net interest income up by 100%
- Mortgage credit down by 23%
- Remortgaging and loan fees up by 20%
- Other items, in total down by 1%

Key points Q1 2023 vs Q4 2022

- Net interest income up by 18%
- Remortgaging and loan fees down by 17%
- Other items, in total down by 1%

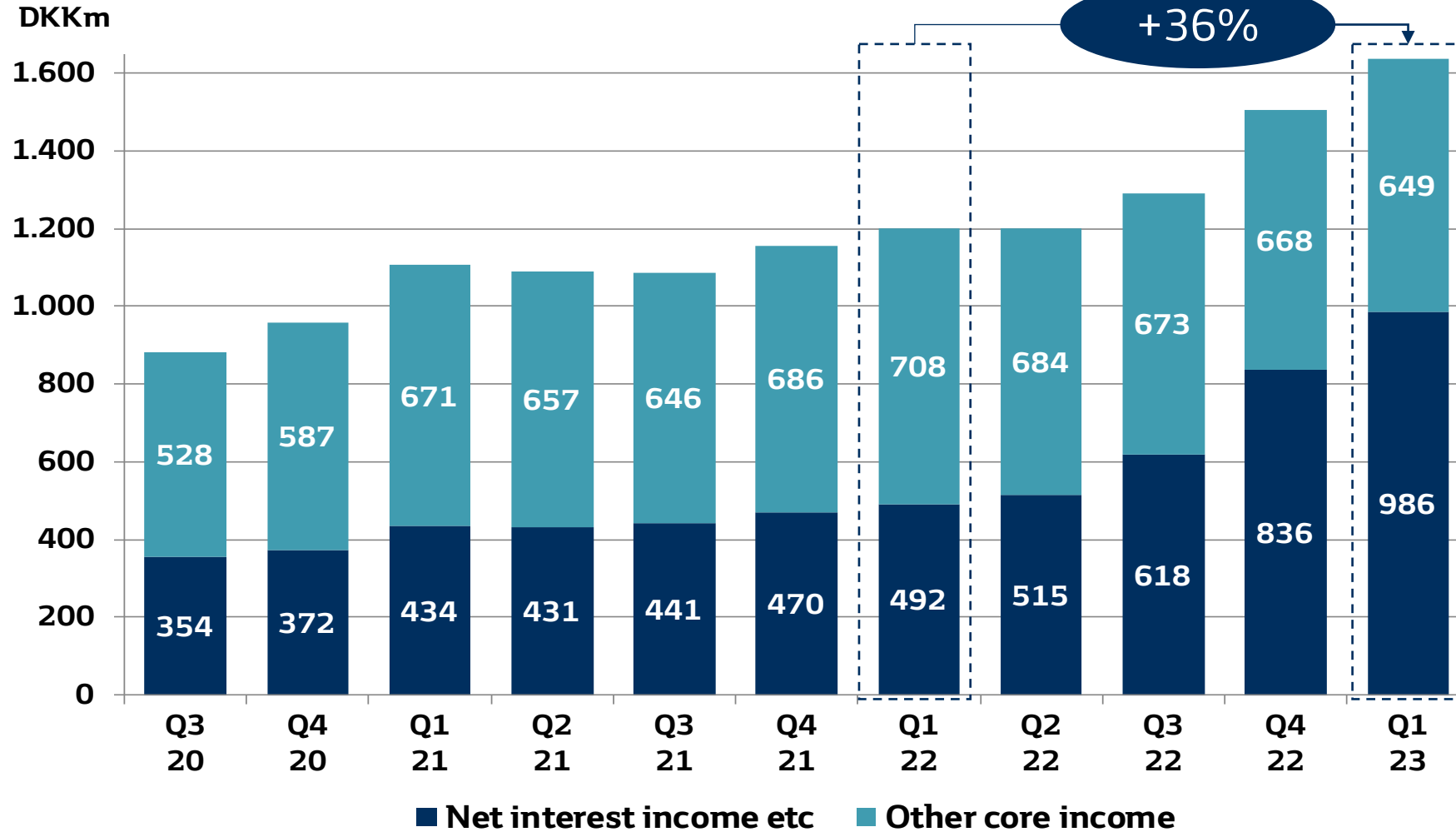
Net interest income etc

Development from Q4 2022 to Q1 2023



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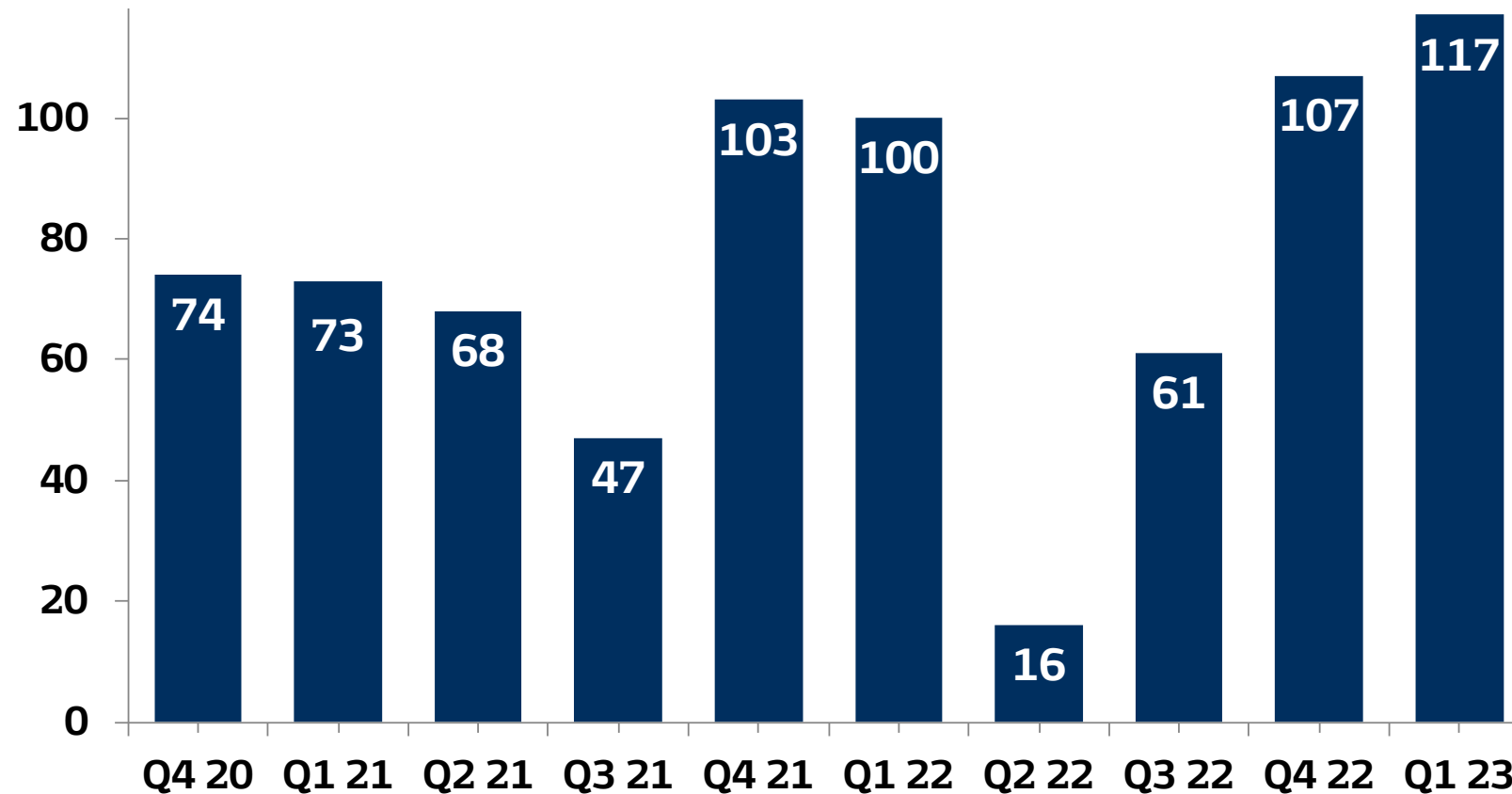
Core income - up by 36%



Trading income

- highly satisfactory income

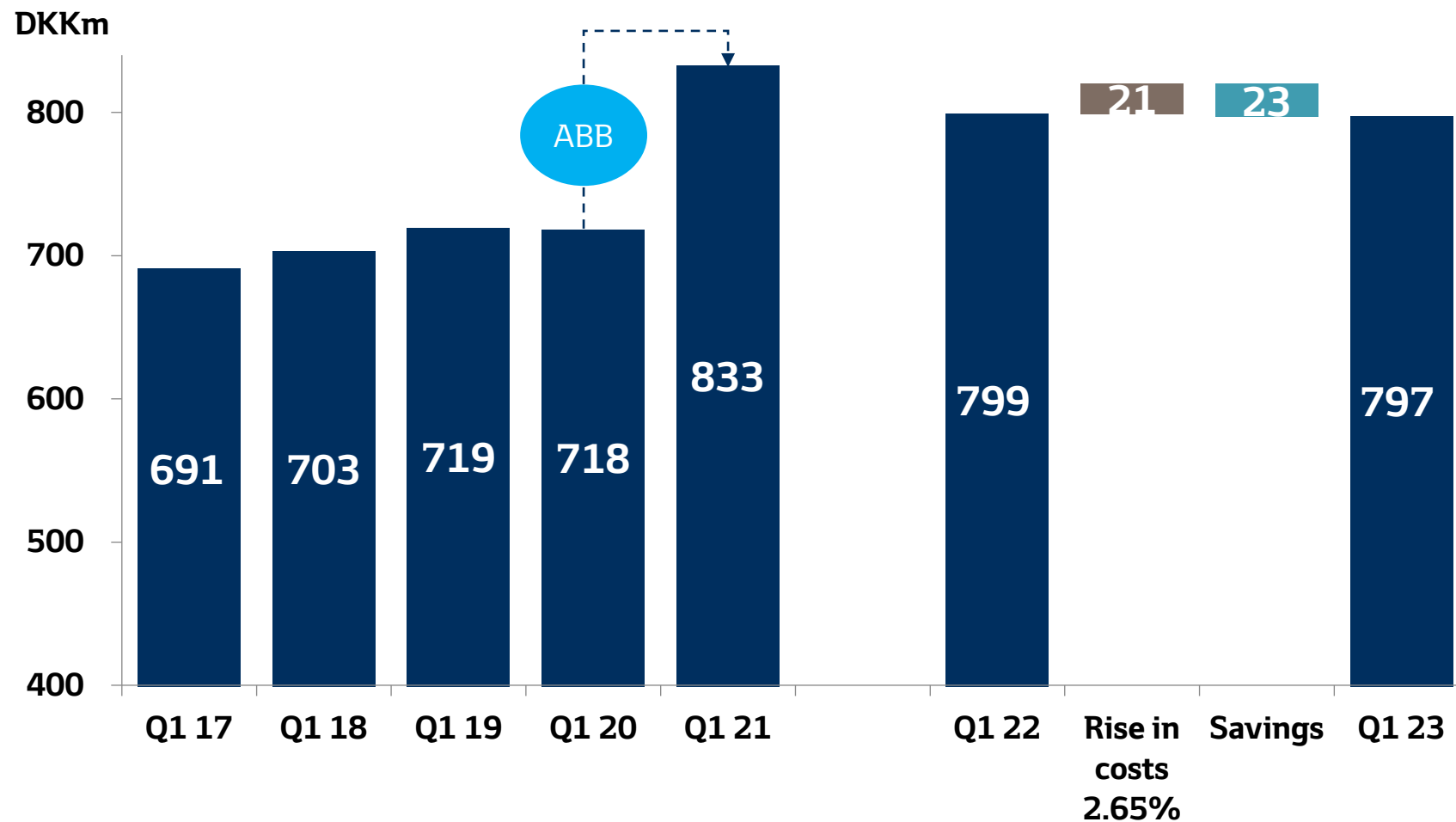
DKKm



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Costs (core earnings)

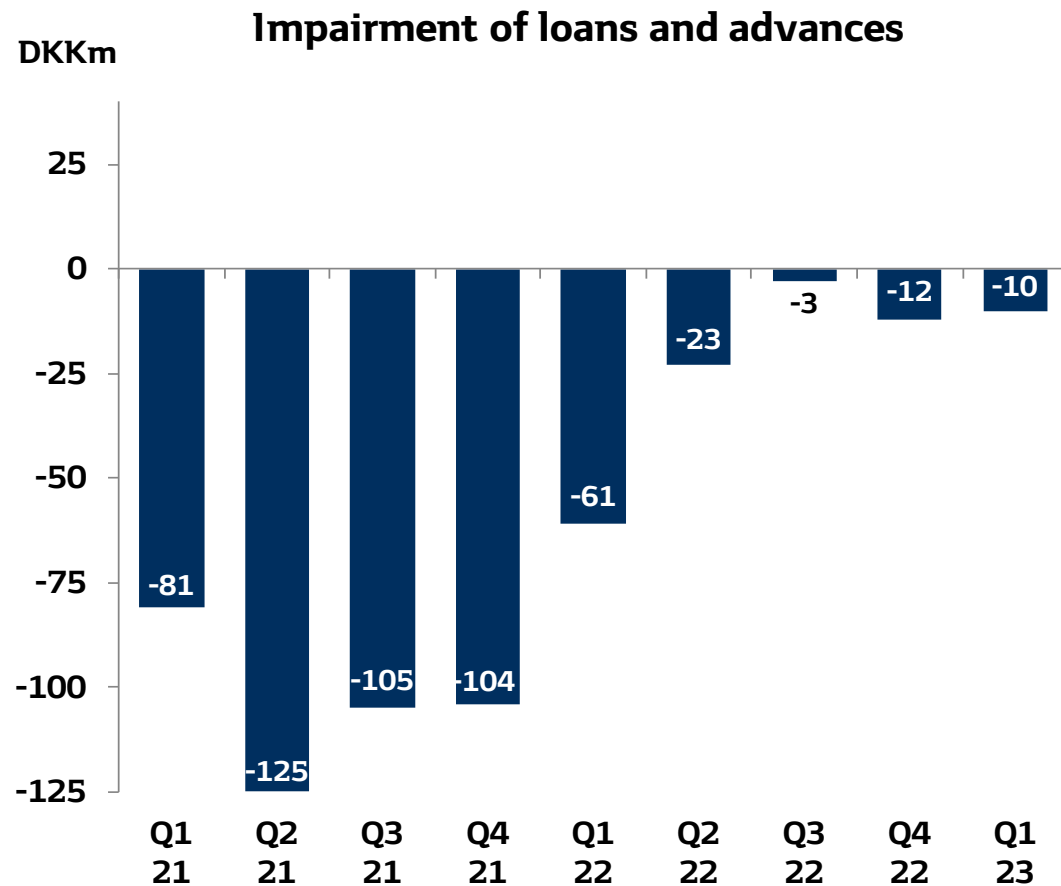
Savings of DKK 23m in Q1 2023



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Impairment charges

Reversal of DKK 10m in Q1 2023

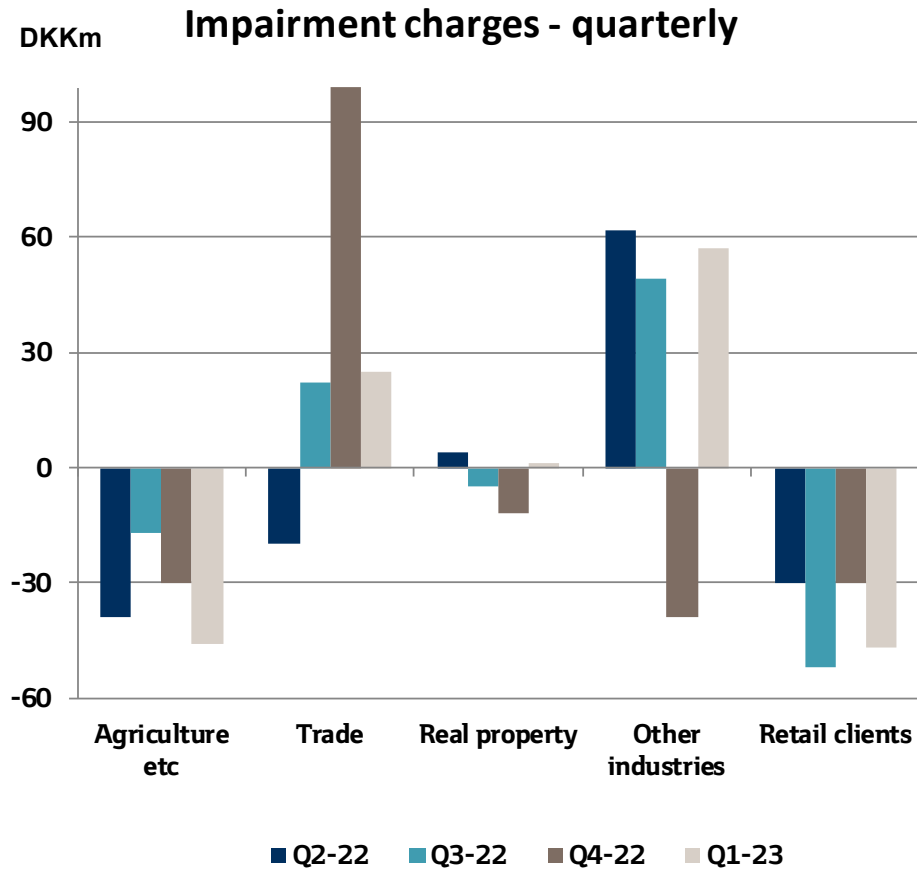


Key points

- At 31 March 2023 the Group still had a management estimate of DKK 500m to cover macroeconomic uncertainty. The management estimate consists of DKK 400m as regards corporate clients and DKK 100m as regards retail clients.

The management estimate as regards macroeconomic risks covers potential losses related to the negative effects of a high inflation rate as well as the risk of a recession etc.

Impairment charges – by industry



Key points Q1 2023

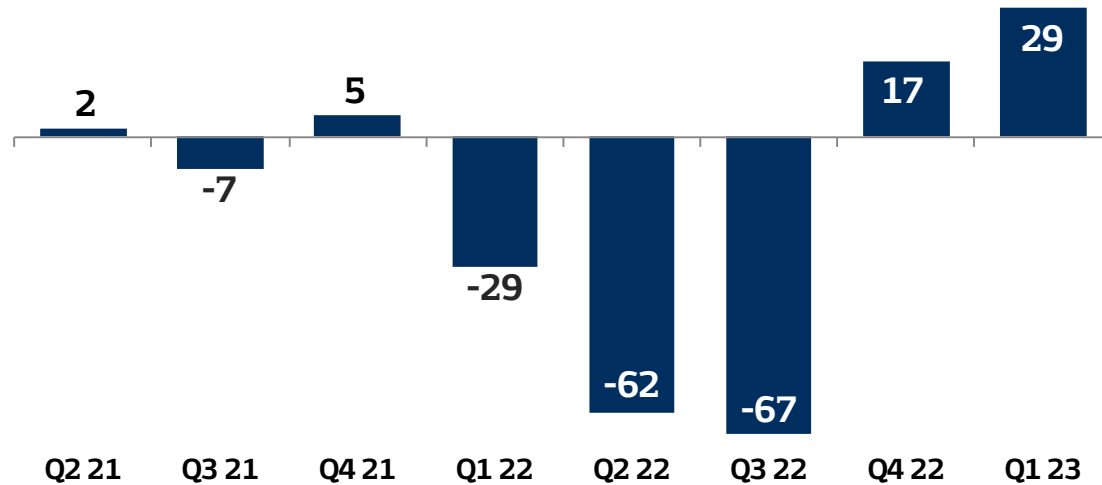
- Impairment charges as regards corporate exposures represent an expense of DKK 37m
- Impairment charges as regards retail exposures represent an income of DKK 47m

Quarterly impairment charges

DKKm	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Agriculture etc	-32	-41	-39	-17	-30	-46
Trade	-6	39	-20	22	99	25
Real property	9	-13	4	-5	-12	1
Other industries	-38	-16	62	49	-39	57
Total corporate lending	-67	-31	7	49	18	37
Retail clients	-37	-30	-30	-52	-30	-47
Total	-104	-61	-23	-3	-12	-10

Investment portfolio earnings

Investment portfolio earnings – DKKm



Key points

- Investment portfolio earnings constituted DKK 29m in Q1 2023
- Investment portfolio earnings constituted minus DKK 141m in 12M 2022

DKKm	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Position-taking	0	-22	-33	-32	20	0
Liquidity generation and reserves	7	-9	-24	-32	-4	32
Strategic positions	0	4	-3	-2	2	-1
Costs	-2	-2	-2	-1	-2	-2
Total	5	-29	-62	-67	17	29

Income statement

– ROE of 22.1% in Q1 2023

DKKm	Q1 2023	Q1 2022	Index	Q1 2023	Q4 2022	Index
Core income	1.635	1.200	136	1.635	1.504	109
Trading income	117	100	117	117	107	109
Total income	1.752	1.300	135	1.752	1.611	109
Costs, core earnings	797	799	100	797	752	106
Core earnings before impairment	955	501	191	955	859	111
Impairment of loans and advances etc	-10	-61	-	-10	-12	-
Core earnings	965	562	172	965	871	111
Investment portfolio earnings	29	-29	-	29	17	171
Profit before non-recurring items	994	533	186	994	888	112
Non-recurring items, net	-14	37	-	-14	-4	-
Profit before tax	980	570	172	980	884	111
Tax	246	125	197	246	170	145
Profit for the period	734	445	165	734	714	103
Costs (core earnings) / total income, C/I	0,45	0,61		0,45	0,47	
Return on equity, ROE full-year basis	22,1	14,1		22,1	22,0	
Earnings per share, EPS	12,8	7,4		12,8	12,3	

Key points Q1 2023 vs Q1 2022

- Core income up by 36%
- Trading income up by 17%
- Costs (core earnings) at the same level
- Impairment charges – an income of DKK 10m
- Core earnings before impairment up by 91%

Key points Q1 2023 vs Q4 2022

- Core income up by 9%
- Trading income up by 9%
- Costs (core earnings) up by 6%
- Core earnings before impairment up by 11%

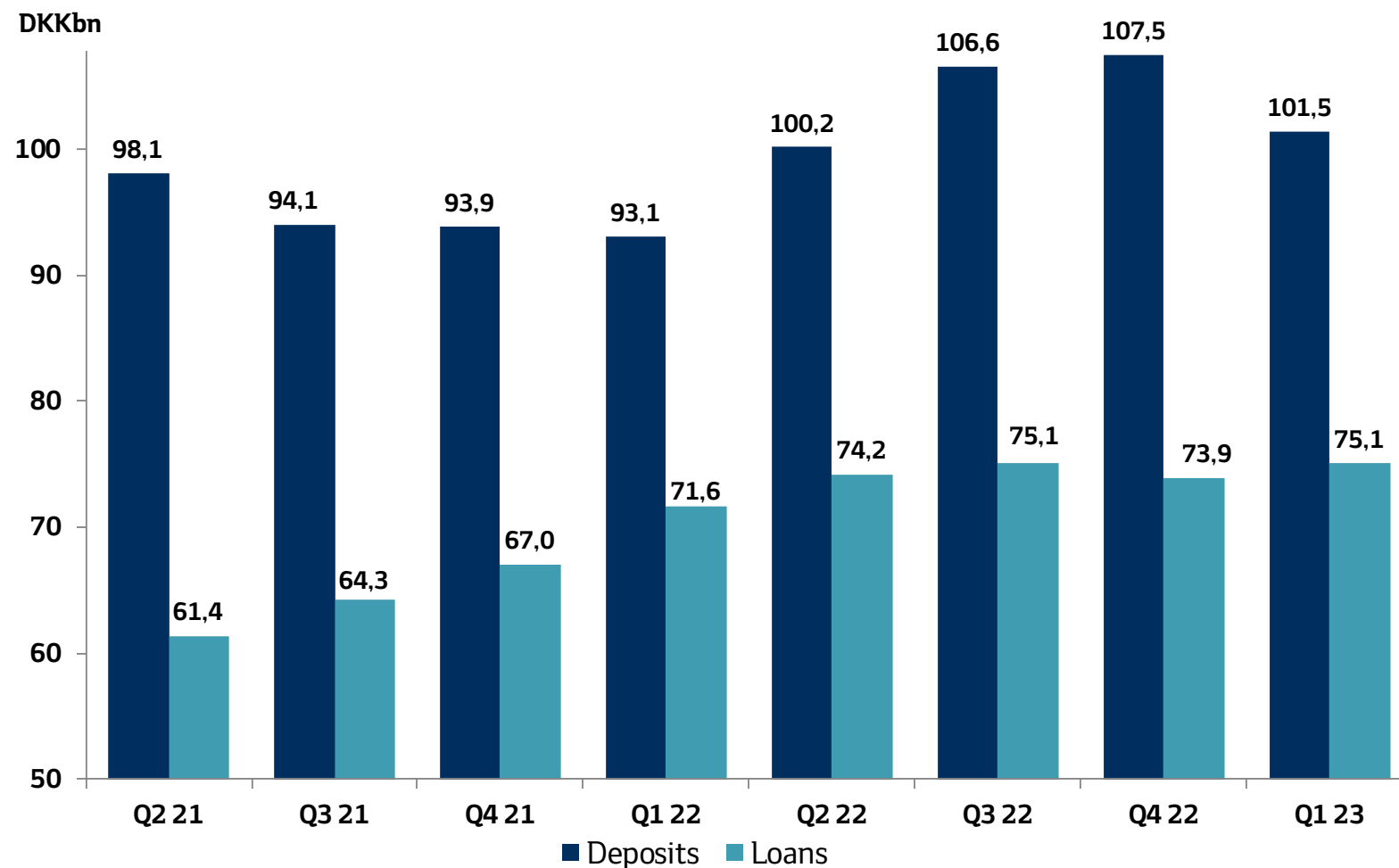
Non-recurring items, net Q1 2023

- Investments in housing loan processes: DKK 10m
- Investments in bank/insurance partnership: DKK 4m

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Loans/advances and deposits

Bank loans up by DKK 1.2bn

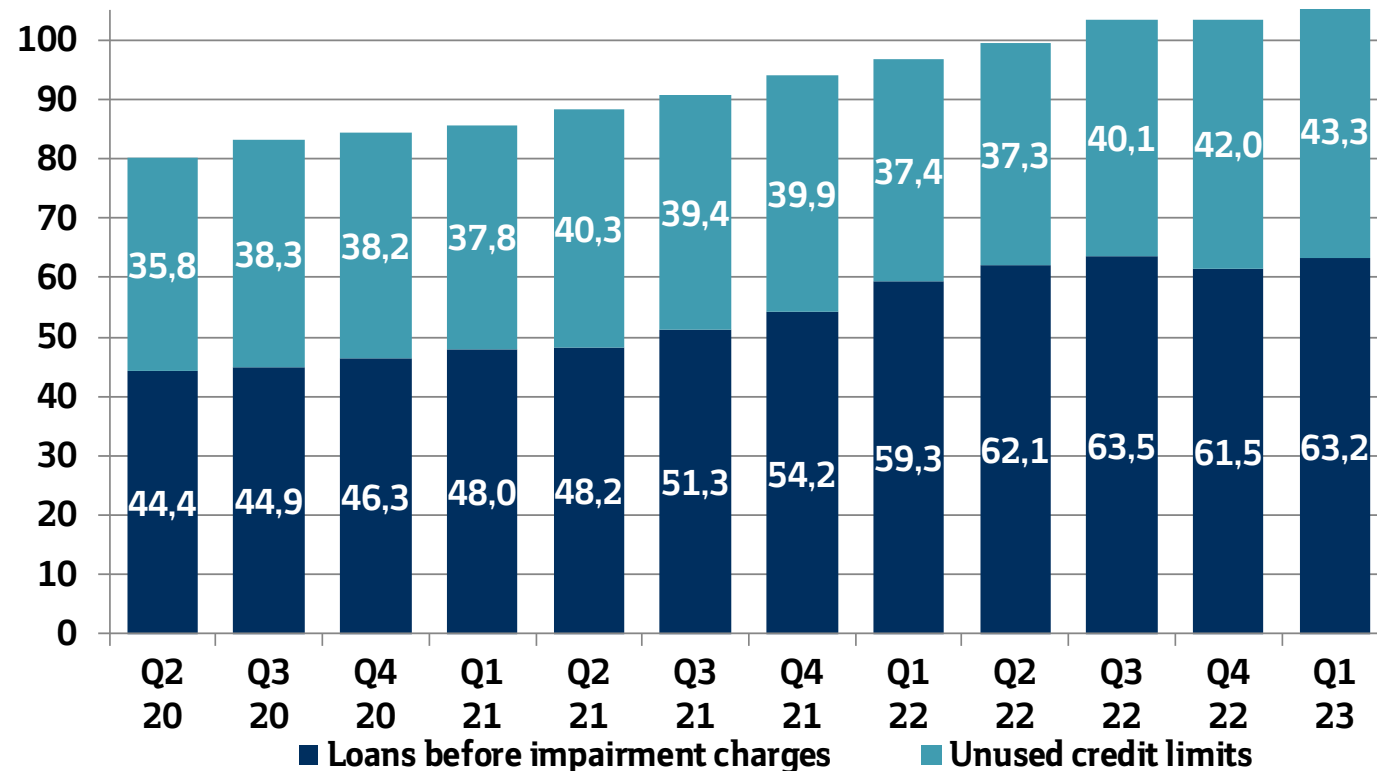


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Credit facilities to corporate clients

Increase – 12 consecutive quarters

DKKbn



Key points Q1 2023 vs Q4 2022

- Lending to corporate clients before impairment charges up by DKK 1.7bn in Q1 2023
- Undrawn facilities up by DKK 1.3bn in Q1 2023

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Total credit intermediation

Total credit intermediation

DKKbn	Q4 2020	Q4 2021	Q4 2022	Q1 2023	Change Q1
Bank loans - retail	15,2	14,1	13,7	13,3	-0,4
Bank loans - corporate	44,7	52,8	60,1	61,8	1,7
Bank loans - public authorities	0,3	0,1	0,1	0,0	-0,1
Bank loans - total	60,2	67,0	73,9	75,1	1,2
Funded mortgage-like loans	7,0	5,6	4,9	4,7	-0,2
Bank loans and funded mortgage-like loans	67,2	72,6	78,8	79,8	1,0
Arranged mortgage loans - Totalkredit	85,7	89,2	86,4	85,8	-0,6
Arranged mortgage loans - DLR	12,7	13,5	13,6	13,6	0,0
Total	165,6	175,3	178,8	179,2	0,4

Key points Q1 2023

- Total credit intermediation up by DKK 0.4bn in Q1 2023.
- Total credit intermediation to corporate clients, including DLR, up by DKK 1.6bn in Q1 2023.
- Total credit intermediation to retail clients – by way of bank loans and advances, funded mortgage-like loans and arranged mortgage loans – down by 1.2bn in Q1 2023.

Capital ratio up by 0.9pp in Q1 2023

DKKm	Q4 2020	Q4 2021	Q4 2022	Q1 2023
Credit risk	33.355	38.849	41.018	41.453
Market risk	6.675	5.467	5.363	4.865
Operational risk	6.708	7.195	8.137	8.137
Other exposures incl CVA	7.302	5.904	5.954	5.979
Risk exposure amount	54.040	57.415	60.472	60.434
CET1	10.185	10.277	10.484	11.003
Tier 1	11.041	11.076	11.227	11.748
Total capital	12.952	13.082	11.863	12.383
CET1 ratio	18,8	17,9	17,3	18,2
Tier 1 capital ratio	20,4	19,3	18,6	19,4
Total capital ratio	24,0	22,8	19,6	20,5
Individual solvency need	10,8	10,6	10,8	10,1

- The capital ratio rose by 0.9pp in Q1 2023 due to a rise in capital.
- 50% of profit for the period is included

DKKm	Q4 2020	Q4 2021	Q4 2022	Q1 2023
Corporate, IRB	21.811	28.508	33.060	33.021
Retail, IRB	5.798	5.414	5.928	5.847
Corporate, STD	460	560	458	351
Retail, STD	3.476	3.561	857	871
Credit institutions etc	1.810	806	715	1.363
Total credit risk	33.355	38.849	41.018	41.453

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Outlook for 2023

- Core income is expected to be higher than in 2022
- Costs (core earnings) are projected to be higher than in 2022
- Impairment charges are forecast to be represent a minor expense
- Non-recurring costs are expected to be in the range of DKK 50-60m
- Profit after tax is expected to be in the range of DKK 2,300-2,600m
- The outlook is subject to uncertainty and depends on financial market developments and macroeconomic factors which may affect eg the level of impairment charges

Forward-looking statements

- This presentation contains statements concerning expectations of future developments, including future income as well as expected business events.

Such statements are by their nature uncertain and associated with risks as many factors – of which some may be beyond Sydbank's control – may cause the actual developments to deviate materially from management's expectations as expressed in this presentation.