

Interim Report - H1 2022

Significant growth in core earnings before impairment

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Highlights H1 2022

Significant growth in core earnings before impairment

Profit

Profit of DKK 748m – **ROE of 11.9%** p.a. after tax

Core income

Core income of DKK 2,399m in H1 2022 – **up by 9%** compared with H1 2021

Trading income

Trading income of **DKK 116m** in H1 2022 – of which DKK 16m in Q2 2022

Costs

Costs (core earnings) in H1 2022 – **down by 4%** compared with H1 2021

Impairment charges

Impairment charges (loans and advances): an **income of DKK 84m** in H1 2022 – of which DKK 23m in Q2 2022

Bank loans

DKK 7.2bn increase in bank loans to DKK 74.2bn in H1 2022 – of which 2.6bn in Q2 2022

CET1 ratio

CET1 ratio of 16.6% – up by 0.1pp in Q2 2022

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Core income – growth of 9%

DKKm	H1 2022	H1 2021	Index	Q2 2022	Q1 2022	Index
Net interest income etc	1,007	865	116	515	492	105
Mortgage credit	358	348	103	175	183	96
Payment services	109	97	112	58	51	114
Remortgaging and loan fees	120	94	128	59	61	97
Commission and brokerage	241	241	100	111	130	85
Commission etc investment funds and pooled pension plans	162	171	95	80	82	98
Asset management	179	185	97	90	89	101
Custody account fees	65	49	133	32	33	97
Other operating income	158	143	110	79	79	100
Total	2,399	2,193	109	1,199	1,200	100

Key points H1 2022 vs H1 2021

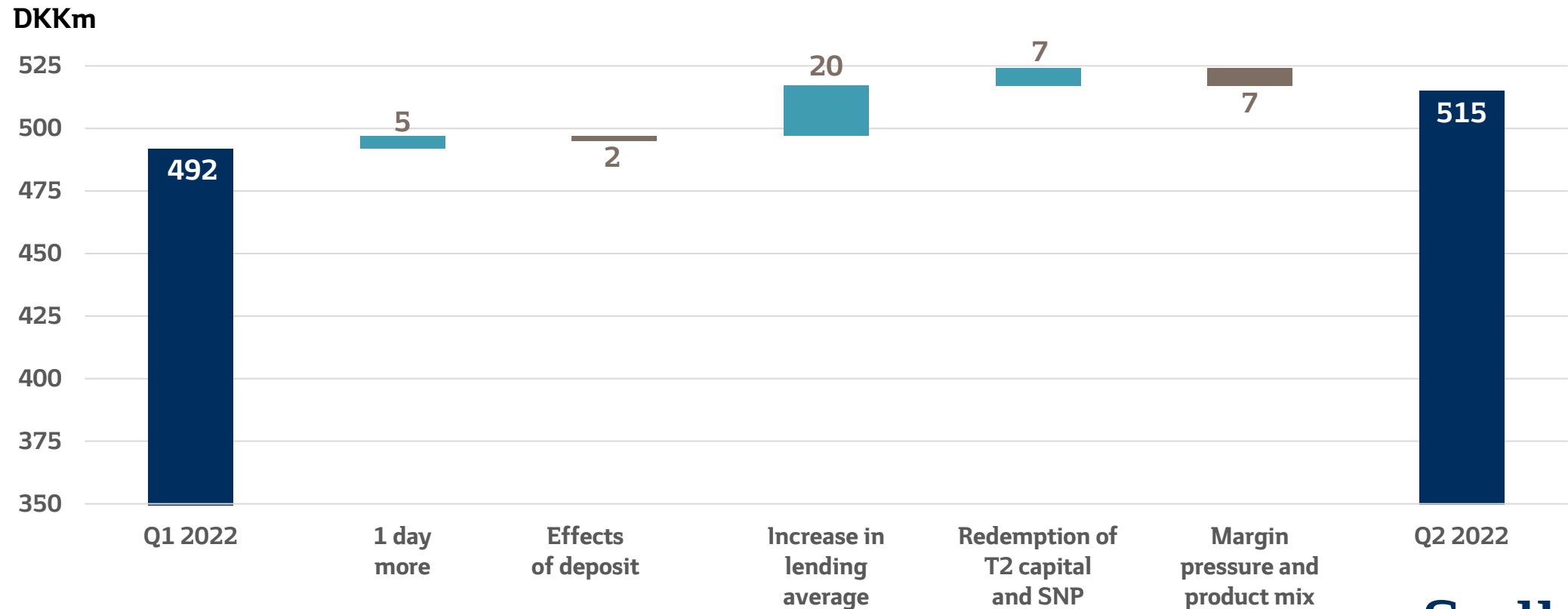
- Net interest income etc up by 16%
- Mortgage credit up by 3%
- Remortgaging and loan fees up by 28%
- Other items, in total up by 3%

Key points Q2 2022 vs Q1 2022

- Net interest income etc up by 5%
- Mortgage credit down by 4%
- Remortgaging and loan fees down by 3%
- Other items, in total down by 3%

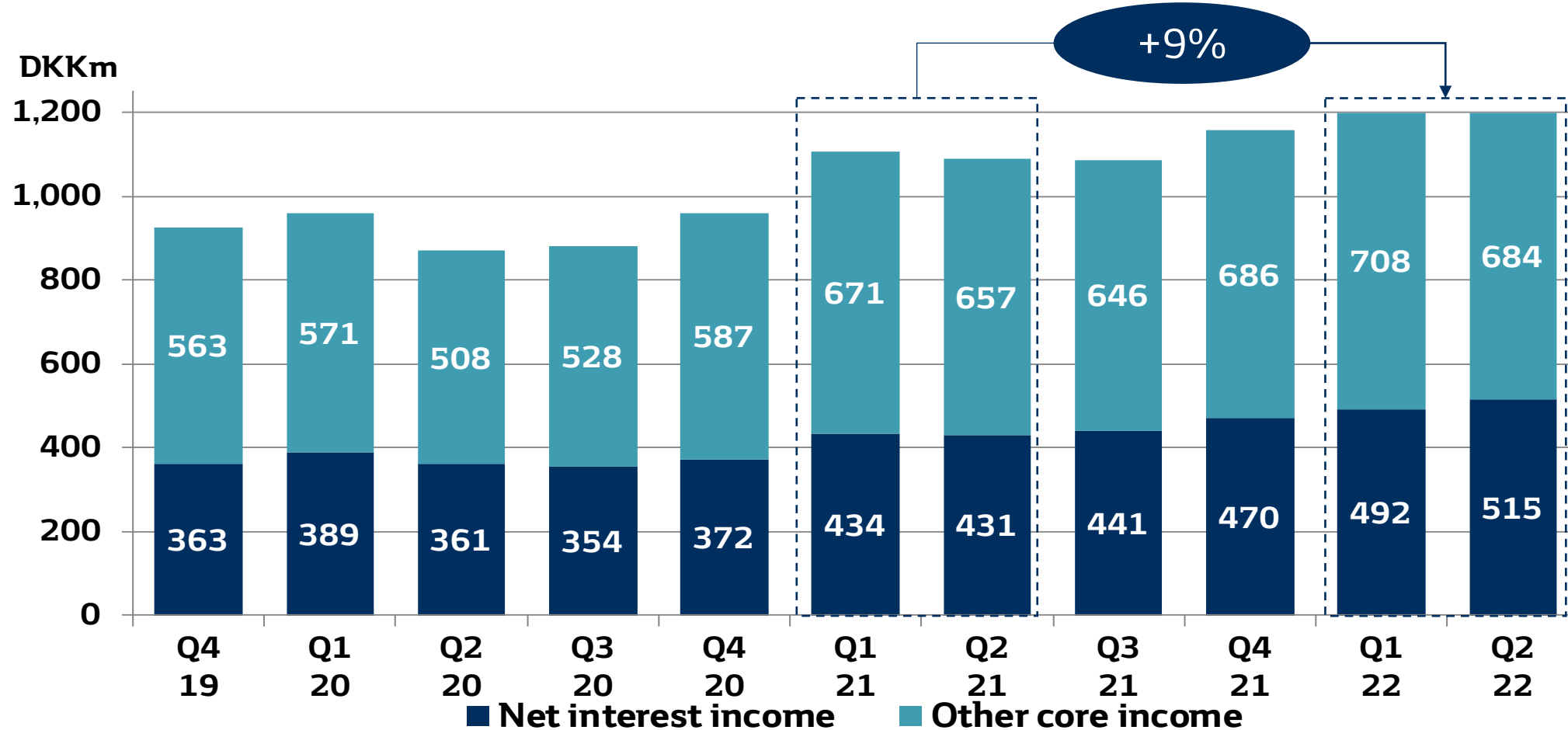
Net interest income etc

Development from Q1 2022 to Q2 2022



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Core income - up by 9%

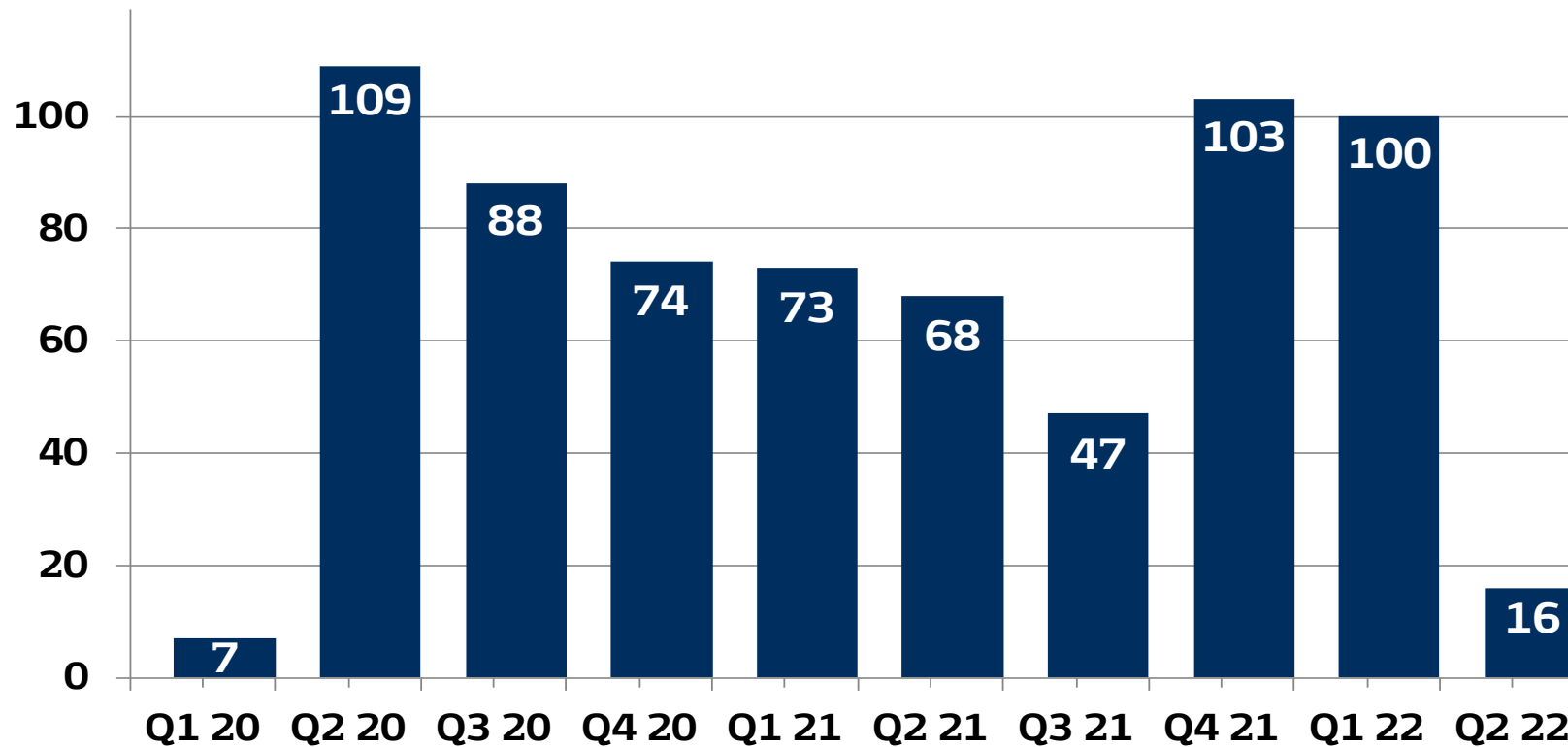


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Trading income

– satisfactory income given price drops and volatility of bonds and shares

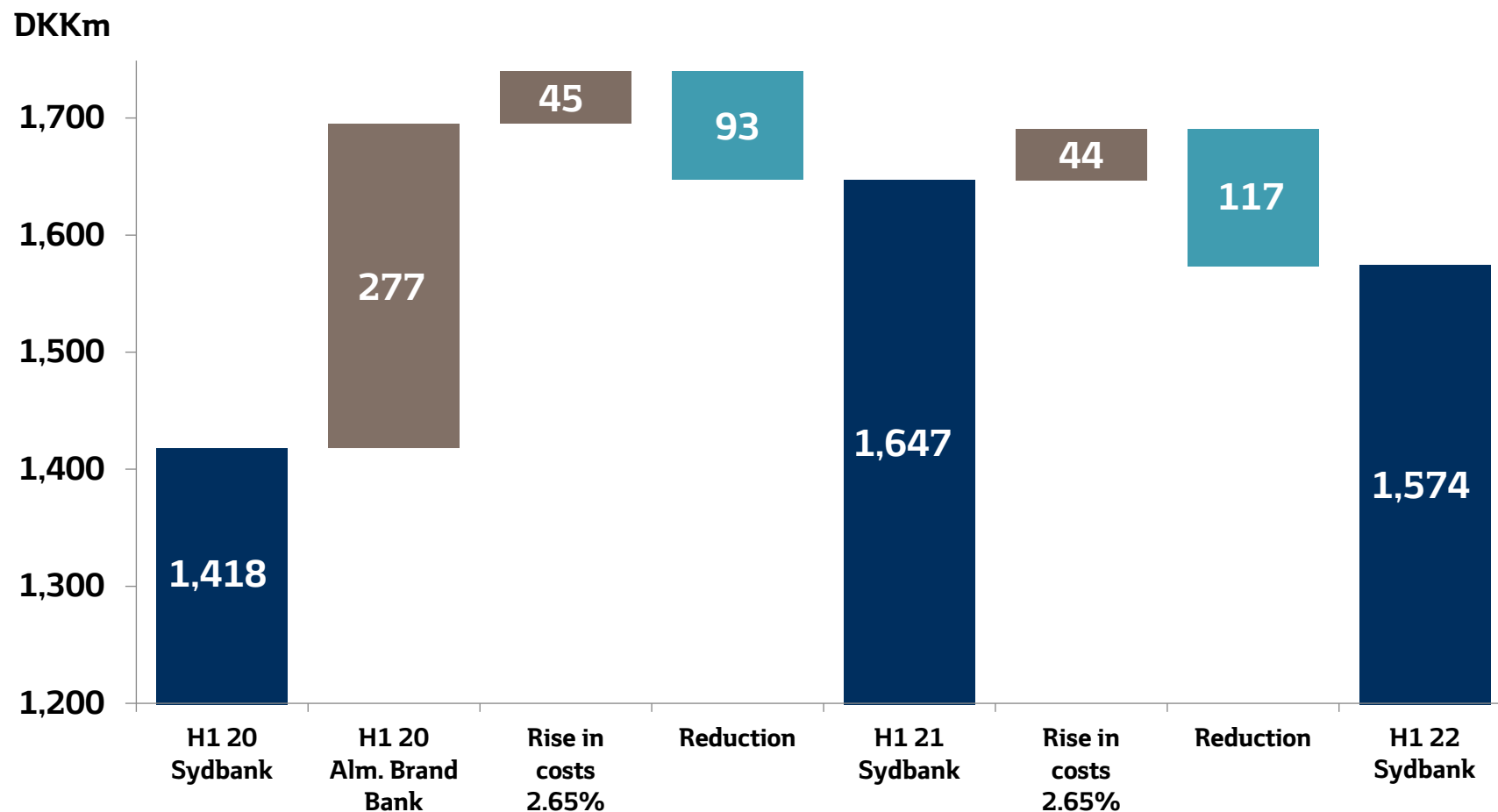
DKKm



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Costs (core earnings)

Savings of DKK 117m in H1 2022



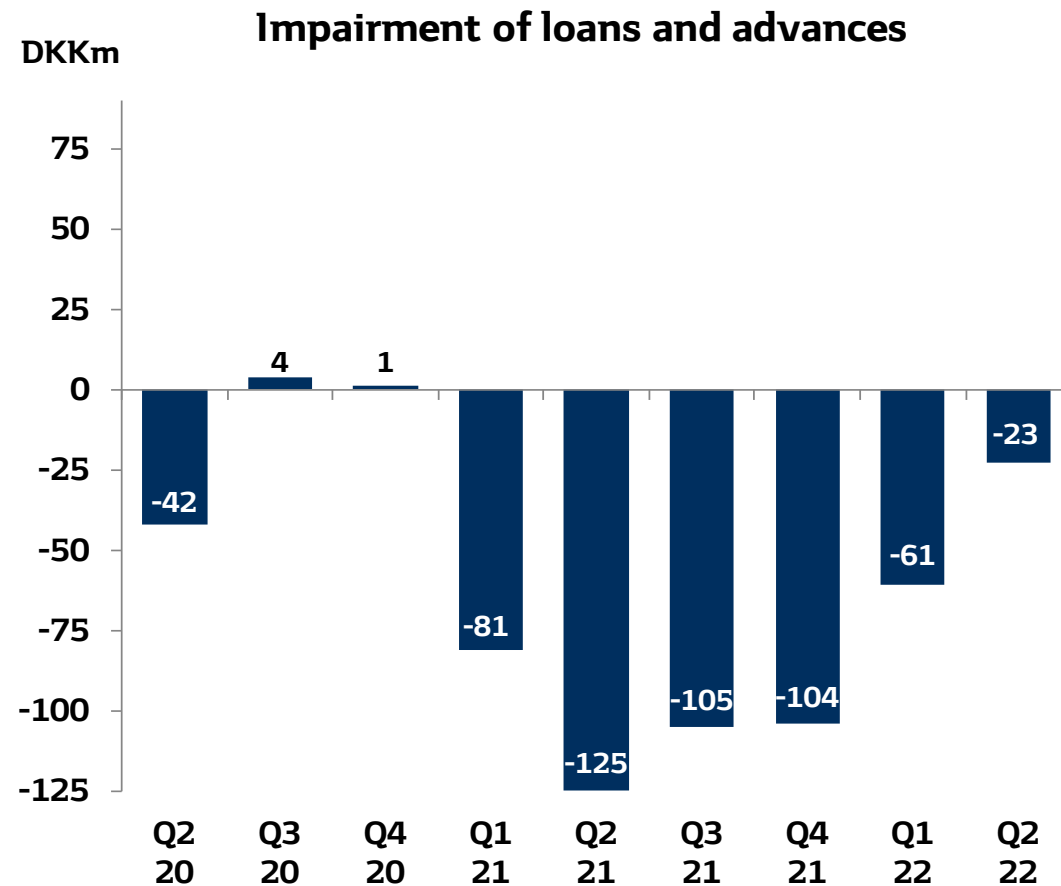
Key points

- Number of staff has dropped from 2,077 at year-end 2021 to 2,017 at end-Q2 2022
- Savings of DKK 117m in H1 2022

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Impairment charges

Reversal of DKK 23m in Q2 2022

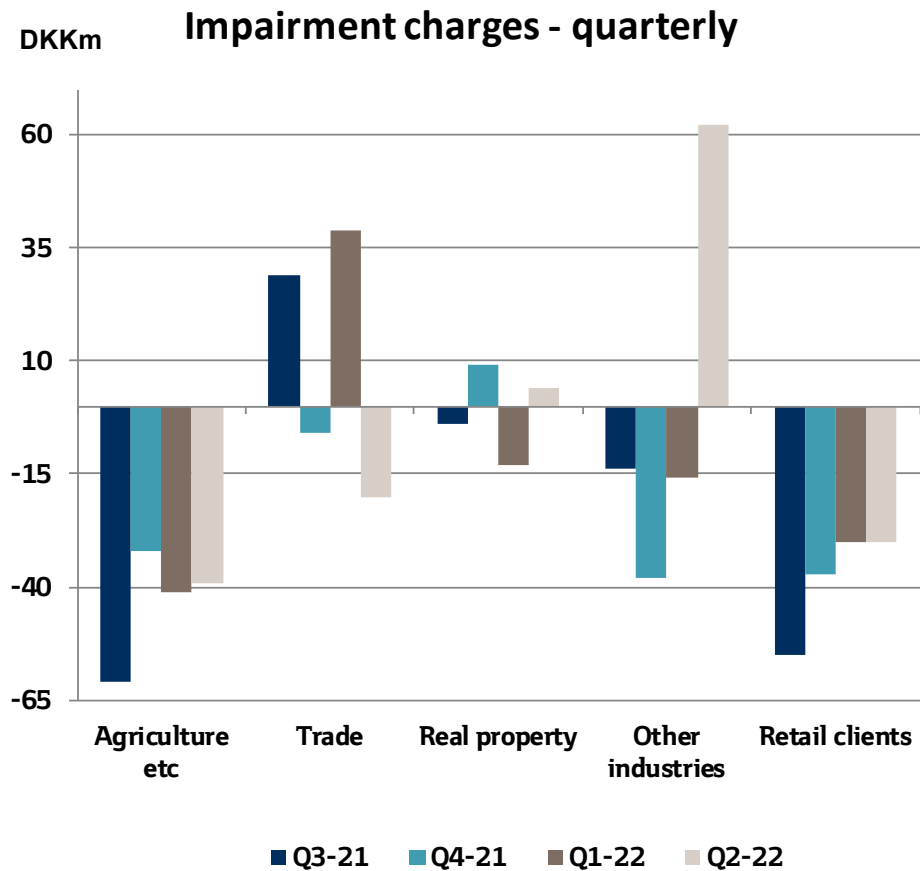


Key points

- Unsecured loans in the weakest rating categories without objective evidence of credit impairment represent DKK 531m (excluding agriculture). Due to covid-19 a management estimate of DKK 125m has been recognised to hedge the risk of these loans, equal to 24%
- Furthermore the 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, the credit risk of which is satisfactory or normal
- Management estimates as a result of covid-19 represent DKK 325m (Q1 2022: DKK 325m)
- Impairment charges for lending to pig farming comprise a management estimate of DKK 60m

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Impairment charges – by industry



Key points Q2 2022

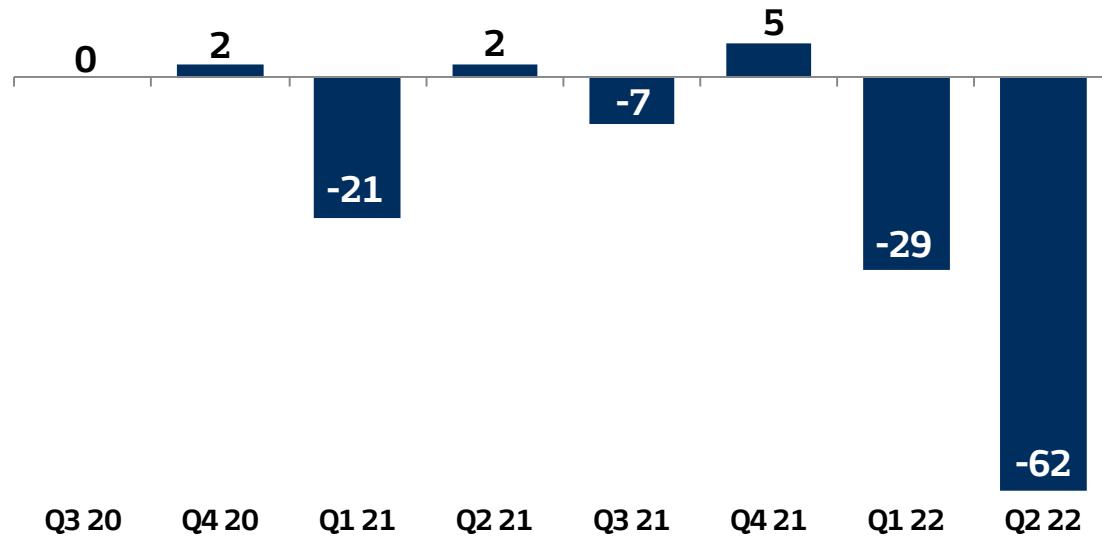
- Impairment charges as regards corporate exposures represent an expense of DKK 7m
- Impairment charges as regards retail exposures represent an income of DKK 30m

Quarterly impairment charges

DKKm	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Agriculture etc	-98	-60	-61	-32	-41	-39
Trade	21	-45	29	-6	39	-20
Real property	-32	-3	-4	9	-13	4
Other industries	24	-5	-14	-38	-16	62
Total corporate lending	-85	-113	-50	-67	-31	7
Retail clients	4	-12	-55	-37	-30	-30
Total	-81	-125	-105	-104	-61	-23

Investment portfolio earnings

Investment portfolio earnings – DKKm



Key points

- Investment portfolio earnings constituted minus DKK 62m in Q2 2022
- The negative result is due to a combination of the effects of interest rate increases and widening credit spreads

DKKm	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Position-taking	-9	0	-4	0	-22	-33
Liquidity generation and reserves	-11	-1	0	7	-9	-24
Strategic positions	1	5	-2	0	4	-3
Costs	-2	-2	-1	-2	-2	-2
Total	-21	2	-7	5	-29	-62

Income statement

– ROE of 11.9% in H1 2022

DKKm	H1 2022	H1 2021	Index	Q2 2022	Q1 2022	Index
Core income	2,399	2,193	109	1,199	1,200	100
Trading income	116	141	82	16	100	16
Total income	2,515	2,334	108	1,215	1,300	93
Costs, core earnings	1,574	1,647	96	775	799	97
Core earnings before impairment	941	687	137	440	501	88
Impairment of loans and advances etc	-84	-206	41	-23	-61	38
Core earnings	1,025	893	115	463	562	82
Investment portfolio earnings	-91	-19	479	-62	-29	214
Profit before non-recurring items	934	874	107	401	533	75
Non-recurring items, net	25	-49	-	-12	37	-
Profit before tax	959	825	116	389	570	68
Tax	211	180	117	86	125	69
Profit for the period	748	645	116	303	445	68
Costs (core earnings) / total income, C/I	0.63	0.71		0.64	0.61	
Return on equity, ROE full-year basis	11.9	10.4		9.6	14.1	
Earnings per share, EPS	12.5	10.4		5.0	7.4	

Key points H1 2022 vs H1 2021

- Core income up by 9%
- Total income up by 8%
- Costs (core earnings) down by 4%
- Impairment charges – an income of DKK 84m
- Core earnings before impairment up by 37%

Key points Q2 2022 vs Q1 2022

- Core income on same high level
- Total income below normal level
- Costs (core earnings) down by 3%

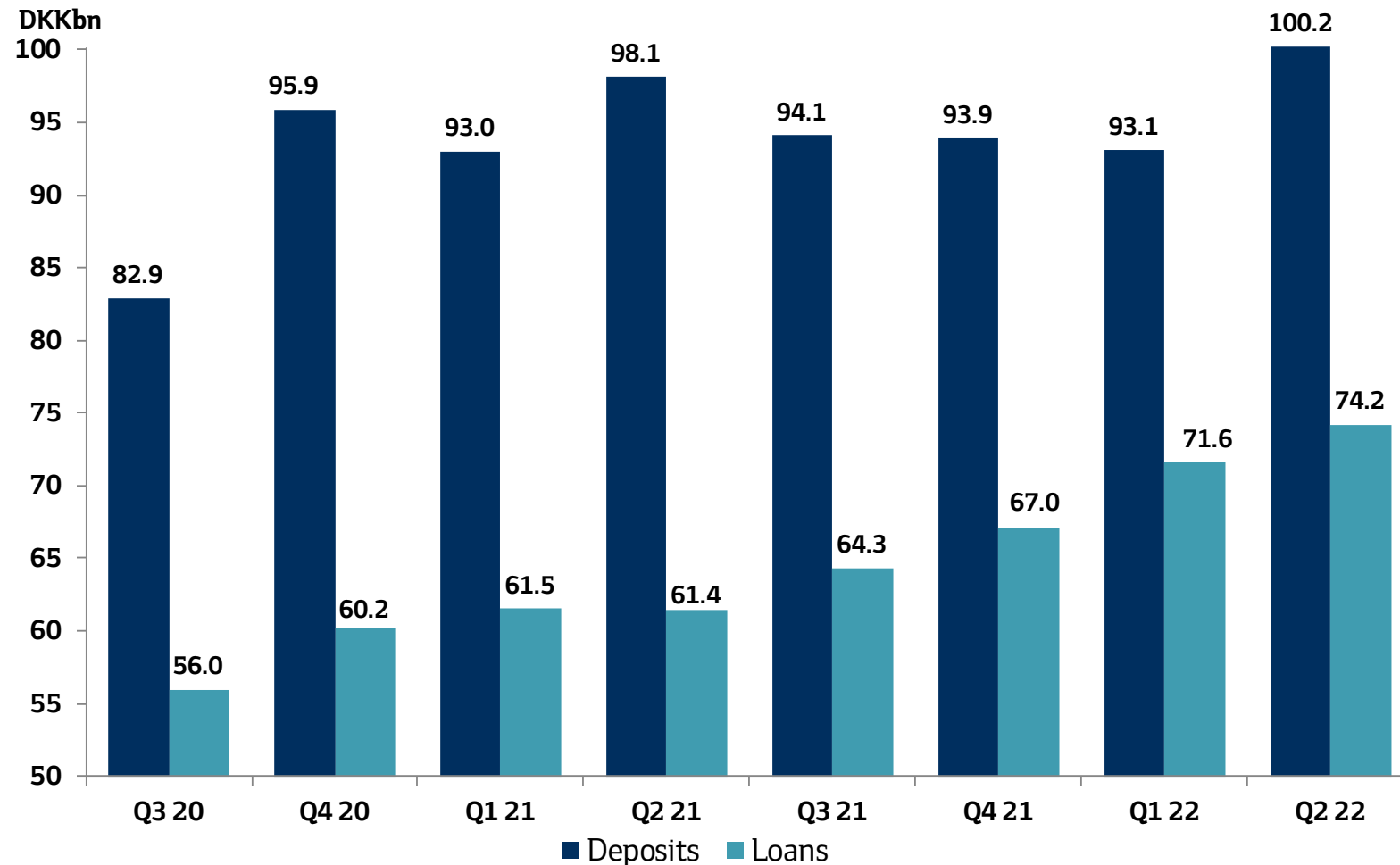
Non-recurring items, net H1 2022

- ABB portfolio acquired – realised capital gains: DKK 51m
- Investments in housing loan processes: DKK 19m
- Investments in bank/insurance partnership: DKK 7m

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Loans/advances and deposits

Bank loans up by DKK 2.6bn in Q2 2022

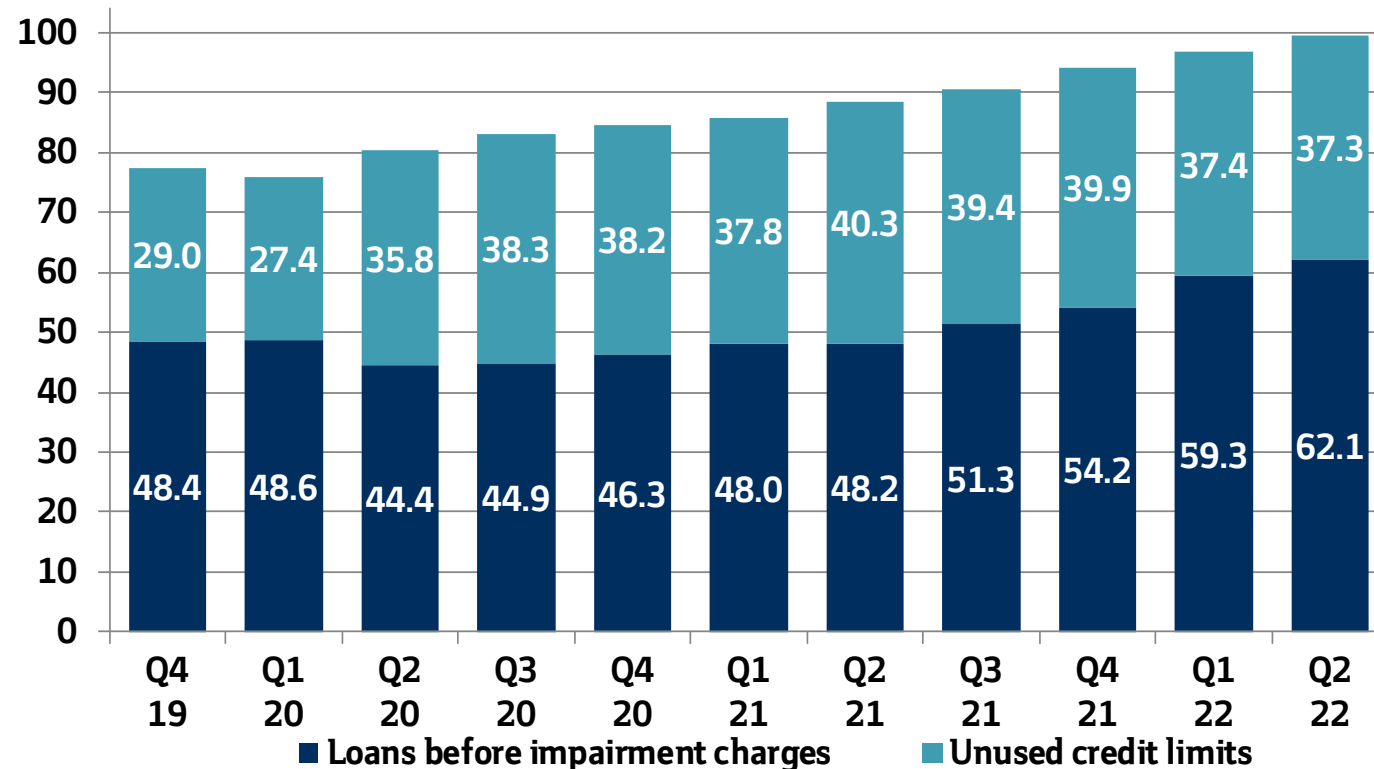


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Credit facilities to corporate clients

Increase – 9 consecutive quarters

DKKbn



Key points Q2 2022 vs Q1 2022

- Lending to corporate clients before impairment charges rose by DKK 2.8bn in Q2 2022
- Repayment of funds received under the government's relief packages, which included a deferral of VAT and tax payments, has affected corporate lending

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Significant rise in corporate lending

DKKm	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21
Agriculture, hunting, forestry and fisheries	2,823	2,801	2,612	2,887	2,636
Manufacturing and extraction of raw materials	11,566	10,544	9,458	8,798	8,515
Energy supply etc	2,630	2,994	3,075	2,382	2,330
Building and construction	5,082	4,499	4,578	4,125	3,823
Trade	18,580	16,862	14,664	13,853	11,581
Transportation, hotels and restaurants	3,299	3,193	3,069	3,081	2,892
Information and communication	511	499	426	422	650
Finance and insurance	6,779	6,639	5,764	5,748	5,580
Real property	5,631	6,006	5,401	5,222	5,286
Other industries	3,791	3,926	3,733	3,420	3,488
Total corporate	60,692	57,963	52,780	49,938	46,781
Changes during the quarter	2,729	5,183	2,842	3,157	313

Total credit intermediation continues to rise

Total credit intermediation

DKKbn	Q4 2020	Q4 2021	Q1 2022	Q2 2022	Change Q2
Bank loans - retail	15.2	14.1	13.7	13.4	-0.3
Bank loans - corporate	44.7	52.8	57.9	60.7	2.8
Bank loans - public authorities	0.3	0.1	0.0	0.1	0.1
Bank loans - total	60.2	67.0	71.6	74.2	2.6
Funded mortgage-like loans	7.0	5.6	5.4	5.3	-0.1
Bank loans and funded mortgage-like loans	67.3	72.6	77.0	79.5	2.5
Arranged mortgage loans - Totalkredit	85.7	89.2	89.8	89.3	-0.5
Arranged mortgage loans - DLR	12.7	13.5	13.6	13.7	0.1
Total	165.6	175.3	180.4	182.5	2.1

Key points Q2 2022

- Total credit intermediation rose by DKK 2.1bn in Q2 2022.
- Total credit intermediation to corporate clients, including DLR, rose by DKK 3.0bn in Q2 2022.
- Total credit intermediation to retail clients – by way of bank loans and advances, funded mortgage-like loans and arranged mortgage loans – down by 0.9bn in Q2 2022.

Capital ratio unchanged in Q2 2022

DKKm	Q4 2020	Q4 2021	Q1 2022	Q2 2022
Credit risk	33,355	38,849	41,309	41,702
Market risk	6,675	5,467	5,331	6,091
Operational risk	6,708	7,195	7,195	7,195
Other exposures incl CVA	7,302	5,904	5,644	5,732
Risk exposure amount	54,040	57,415	59,479	60,720
CET1	10,185	10,277	9,822	10,093
Tier 1	11,041	11,076	10,566	10,837
Total capital	12,952	13,082	11,342	11,617
CET1 ratio	18.8	17.9	16.5	16.6
Tier 1 ratio	20.4	19.3	17.8	17.8
Capital ratio	24.0	22.8	19.1	19.1
Individual solvency need	10.8	10.6	10.7	10.8

The capital ratio is unchanged in Q2 2022 due to following:

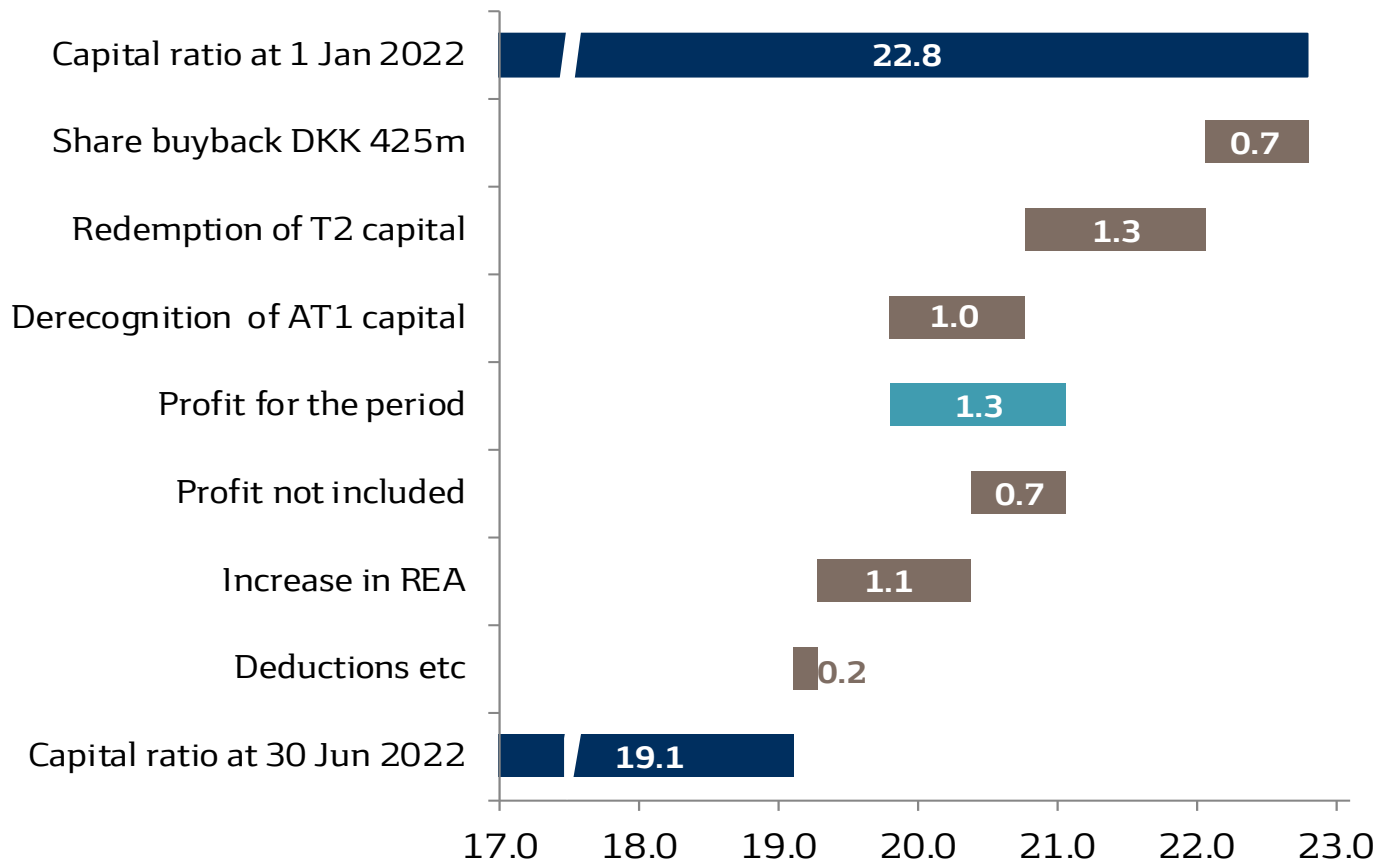
- 50% of profit for the period is included
- Increase in risk exposure amount is attributable to credit risk and market risk
- Increase in risk exposure amount related to credit risk is attributable to a rise in bank loans and advances

DKKm	Q4 2020	Q4 2021	Q1 2022	Q2 2022
Corporate, IRB	21,811	28,508	30,741	31,373
Retail, IRB	5,798	5,414	5,933	5,832
Corporate, STD	460	560	571	548
Retail, STD	3,476	3,561	3,404	3,218
Credit institutions etc	1,810	806	660	731
Total credit risk	33,355	38,849	41,309	41,702

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Capital ratio in H1 2022

Drop of 3.7pp



Key points H1 2022

The capital ratio down by 3.7pp in H1 2022 due to the following:

- Initiation of a new share buyback programme of DKK 425m
- Redemption of 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
- 50% of profit for the period is included
- Increase in risk exposure amount is attributable to a rise in bank loans and advances

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 upper end** of 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

Thank you!

Additional information:

Karen Frøsig, CEO

Tel +45 74 37 20 00, direktionen@sydbank.dk

Jørn Adam Møller, Deputy Group Chief Executive

Tel +45 74 37 20 30, jam@sydbank.dk

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