

Interim Report – Q1

2023

Sydbank Group



Sydbank

Sydbank's Interim Report – Q1 2023

Historically high income – a strong start to the year

Q1 2023 – highlights

- Profit for the period of DKK 734m equals a return on equity of 22.1% p.a. after tax
- Core income of DKK 1,635m is 36% higher compared to the same period in 2022
- Trading income of DKK 117m is 17% higher compared to the same period in 2022
- Costs (core earnings) of DKK 797m against DKK 799m in the same period in 2022
- Core earnings before impairment of DKK 955m are 91% higher compared to the same period in 2022
- Impairment charges for loans and advances etc represent an income of DKK 10m
- Bank loans and advances have risen by DKK 1.2bn, equal to an increase of 2% compared to year-end 2022
- The CET1 ratio stands at 18.2%, equal to an increase of 0.9pp compared to year-end 2022

CEO Karen Frøsig comments on the result:

- We have had a strong start to 2023 and we are very pleased. The Bank's performance has been lifted markedly owing to higher income which has been generated without a rise in costs. Profit for Q1 shows that Sydbank has a high earnings capacity.

Karen Frøsig comments on developments in interest income:

- The effect of the Danish central bank's 6 interest rate hikes since July 2022 is clearly reflected in the Bank's net interest income, which has doubled compared with Q1 2022. Net interest income has been greatly influenced by higher loans and advances and by higher interest payments on the Bank's significant deposit surplus, which has previously earned negative interest.

Board chairman Lars Mikkilgaard-Jensen comments:

- It is positive to note that the Bank's capital position has strengthened even further. Coupled with the increase in earnings capacity Sydbank's resilience is thereby enhanced at a time when more customers may be looking to the Bank for help.

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 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.

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Group Financial Highlights

	Q1 2023	Q1 2022	Index 23/22	Full year 2022
Income statement (DKKm)				
Core income	1,635	1,200	136	5,194
Trading income	117	100	117	284
Total income	1,752	1,300	135	5,478
Costs, core earnings	797	799	100	3,040
Core earnings before impairment	955	501	191	2,438
Impairment of loans and advances etc	(10)	(61)	-	(99)
Core earnings	965	562	172	2,537
Investment portfolio earnings	29	(29)	-	(141)
Profit before non-recurring items	994	533	186	2,396
Non-recurring items, net	(14)	37	-	9
Profit before tax	980	570	172	2,405
Tax	246	125	197	504
Profit for the period	734	445	165	1,901
Balance sheet highlights (DKKbn)				
Loans and advances at amortised cost	75.1	71.6	105	73.9
Loans and advances at fair value	9.9	21.2	47	10.4
Deposits and other debt	101.5	93.1	109	107.5
Bonds issued at amortised cost	13.2	9.6	138	13.2
Subordinated capital	1.1	1.1	100	1.1
AT1 capital	0.7	0.7	100	0.8
Shareholders' equity	13.0	12.2	107	13.2
Total assets	174.5	163.1	107	179.3
Financial ratios per share (DKK per share of DKK 10)				
EPS	12.8	7.4		32.2
Share price at end of period	308.8	230.8		292.6
Book value	229.4	208.7		233.4
Share price/book value	1.35	1.11		1.25
Average number of shares outstanding (in millions)	56.5	58.4		57.5
Dividend per share	-	-		16.77
Other financial ratios and key figures				
CET1 ratio	18.2	16.5		17.3
T1 capital ratio	19.4	17.8		18.6
Capital ratio	20.5	19.1		19.6
Pre-tax profit as % p.a. of average equity	29.6	18.1		18.9
Post-tax profit as % p.a. of average equity	22.1	14.1		14.8
Costs (core earnings) as % of total income	45.5	61.5		55.5
Return on assets (%)	0.42	0.27		1.09
Interest rate risk	0.6	1.2		1.3
Foreign exchange position	5.4	1.6		1.8
Foreign exchange risk	0.0	0.0		0.0
Liquidity, LCR (%)	195	171		200
Loans and advances relative to deposits	0.6	0.6		0.6
Loans and advances relative to equity	5.8	5.9		5.6
Growth in loans and advances during the period	1.6	6.8		10.3
Total large exposures	144	150		147
Accumulated impairment ratio	2.1	2.1		2.1
Impairment ratio for the period	(0.01)	(0.06)		(0.1)
Number of full-time staff at end of period	2,062	2,059	100	2,034

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 2022 Annual Report (page 127).

Highlights

Historically high income – a strong start to the year

Sydbank's financial statements for Q1 2023 show a profit before tax of DKK 980m compared to DKK 570m in the same period in 2022. Profit before tax equals a return of 29.6% p.a. on average equity.

Profit before tax shows an increase of DKK 410m, which is primarily attributable to a rise in core income.

Core income constitutes DKK 1,635m compared to DKK 1,200m in 2022 – a rise of DKK 435m, equivalent to 36%. The increase is primarily attributable to the effects of a higher interest rate level and the rise in loans and advances to corporate clients.

Core income is higher compared with the expectations presented in the 2022 Annual Report.

Trading income in Q1 2023 constitutes DKK 117m compared with DKK 100m in 2022.

Total income amounts to DKK 1,752m, which is an increase of 35% compared to the same period in 2022.

Costs (core earnings) constituted DKK 797m in Q1 2023 – a drop of DKK 2m compared to the same period in 2022.

Core earnings before impairment total DKK 955m for Q1 2023 – an increase of DKK 454m, equivalent to 91% compared to the same period in 2022.

Impairment charges for loans and advances represent an income of DKK 10m compared with an income of DKK 61m in the same period in 2022.

Core earnings for Q1 2023 represent DKK 965m – an increase of DKK 403m compared with the same period in 2022.

Non-recurring items etc total an expense of DKK 14m compared to a net income of DKK 37m in the same period in 2022. The item includes costs related to the development of housing loan processes and the development of the bank/insurance partnership.

Profit for the period before tax represents DKK 980m compared to DKK 570m in 2022 – an increase of DKK 410m. Tax represents DKK 246m, equal to an effective tax rate of 25.2%.

Profit for the period amounts to DKK 734m compared with DKK 445m in the same period in 2022, equal to a return of 22.1% p.a. on average equity.

Sydbank's strategy for 2022-24: "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 value creation for customers. We will elevate unaided brand awareness from its level of around 20% at year-end 2021 to around 40% by the end of the strategy period. At end-Q1 2023 unaided awareness had risen to 24%.

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 – based on a normalised level of impairment charges. The goal was set in the context of a negative interest rate environment. In Q1 2023 return on equity constituted 22.1% against 14.1% in Q1 2022.

Rate of costs

We will continue to focus on the balance between income and costs. This will be achieved by continuing to increase income while maintaining a constant focus on costs. We will prioritise our initiatives and ensure a better understanding of costs throughout the organisation as well as continue to ensure a powerful engine room. The strategic goal for the rate of costs is around 60%. In Q1 2023 the rate of costs stood at 46% compared with 61% in Q1 2022.

Sydbank's customers

The Bank's customer portfolio can be divided into the segments: corporate clients, Private Banking clients and retail clients, and institutional clients.

Sydbank has succeeded in building relationships in particular as regards the backbone of the Danish corporate sector – medium-sized and large enterprises – and by developing expertise among its employees the Bank has secured a strong position as a full-service corporate and advisory bank offering a wide variety of professional financing solutions tailored to the requirements of the individual business.

The Bank strives to have a continued increase in customers primarily with the following profiles:

- Medium-sized or large enterprises in the SME segment with growth potential
- Retail clients with healthy finances
- Young customers with prospects
- Wealthy retail clients

Q1 2023 performance

Net interest income has risen by DKK 494m to DKK 986m, equal to an increase of 100% compared with Q1 2022. The increase is primarily attributable to the effects of a higher interest rate level and the rise in loans and advances to corporate clients.

Total core income has risen by DKK 435m to DKK 1,635m, equal to 36% compared with the same period in 2022.

Trading income constituted DKK 117m in Q1 2023 compared with DKK 100m in the same period in 2022.

Total income has increased by DKK 452m to DKK 1,752m.

Costs (core earnings) have declined by DKK 2m to DKK 797m.

Core earnings before impairment for Q1 2023 represent DKK 955m – an increase of DKK 454m and equal to 91% compared with the same period in 2022.

Impairment charges for loans and advances represent an income of DKK 10m compared with an income of DKK 61m in the same period in 2022.

Core earnings for Q1 2023 represent DKK 965m – an increase of DKK 403m compared with the same period in 2022.

Together the Group's position-taking and liquidity handling generated positive earnings of DKK 29m in Q1 2023 compared with negative earnings of DKK 29m a year ago.

Non-recurring items etc total an expense of DKK 14m compared to a net income of DKK 37m in the same period in 2022. The item includes costs of DKK 10m related to the development of housing loan processes and DKK 4m related to the development of the bank/insurance partnership. In addition to the costs related to the housing loan processes and the bank/insurance partnership, DKK 52m was recognised as income in Q1 2022 as regards extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank.

Profit before tax for Q1 2023 amounts to DKK 980m compared with DKK 570m in 2022. Tax represents DKK 246m, equal to an effective tax rate of 25.2%.

Profit for the period amounts to DKK 734m compared with DKK 445m in 2022.

Return on shareholders' equity before and after tax constitutes 29.6% and 22.1% respectively against 18.1% and 14.1% respectively in the same period in 2022.

Bank loans and advances

Bank loans and advances represented DKK 75.1bn at 31 March 2023 – an increase of DKK 3.5bn since 31 March 2022 and an increase of DKK 1.2bn compared to year-end 2022.

Bank loans and advances (DKKbn)	31 Mar 2023	31 Dec 2022	31 Mar 2022
Corporate clients	61.7	60.1	57.9
Retail clients	13.4	13.7	13.7
Public authorities	0.0	0.1	0.0
Total	75.1	73.9	71.6

Bank loans and advances to retail clients represent DKK 13.4bn – a decrease of DKK 0.3bn in Q1 2023.

Bank loans and advances to corporate clients represent DKK 61.7bn – an increase of DKK 1.5bn in Q1 2023.

Credit facilities to corporate clients (DKKbn)	31 Mar 2023	31 Dec 2022	31 Mar 2022
Drawn facilities = loans/advances before impairment charges	63.2	61.5	59.3
Undrawn facilities	43.3	42.0	37.4
Total	106.5	103.5	96.7

Credit facilities to corporate clients rose by DKK 3.0bn to DKK 106.5bn in Q1 2023.

During Q1 2023 corporate clients drew a further DKK 1.7bn under their credit facilities.

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 2023	31 Dec 2022	31 Mar 2022
Bank loans and advances	75.1	73.9	71.6
Funded mortgage-like loans	4.7	4.9	5.4
Arranged mortgage loans - Totalkredit	85.8	86.4	89.8
Arranged mortgage loans - DLR	13.6	13.6	13.6
Total	179.2	178.8	180.4

The Group's total credit intermediation represents DKK 179.2bn – an increase of DKK 0.4bn compared to year-end 2022. The change is attributable to a rise in bank loans and advances of DKK 1.2bn, a decline in funded mortgage-like loans of DKK 0.2bn and a drop in arranged mortgage loans of DKK 0.6bn.

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?

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 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.

In connection with the release of the 2022 Annual Report, profit after tax for 2023 was expected to be in the range of DKK 1,900-2,200m.

On 15 March 2023 the Bank revised its expectations for 2023 upwards to a profit after tax 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.

Financial Review – Performance in Q1 2023

The Sydbank Group has recorded a profit before tax of DKK 980m compared to DKK 570m in 2022. Profit before tax equals a return of 29.6% p.a. on average equity.

Profit for the period after tax represents DKK 734m compared with DKK 445m in 2022, equal to a return of 22.1% p.a. on average equity.

Profit for Q1 2023 exceeds expectations at the beginning of the year.

The financial statements are characterised by the following:

- A rise in core income of DKK 435m, equal to 36%
- An increase in trading income of DKK 17m
- A decline in costs (core earnings) of DKK 2m
- Impairment charges for loans and advances: an income of DKK 10m
- A rise in core earnings of DKK 403m to DKK 965m
- Investment portfolio earnings of DKK 29m
- Non-recurring items etc represent an expense of DKK 14m
- Bank loans and advances of DKK 75.1bn (year-end 2022: DKK 73.9bn)
- Bank deposits of DKK 101.5bn (year-end 2022: DKK 107.5bn)
- A CET1 ratio of 18.2% (2022: 17.3%)
- An individual solvency need of 10.1% (2022: 10.8%)

Income statement – Q1 (DKKm)	2023	2022
Core income	1,635	1,200
Trading income	117	100
Total income	1,752	1,300
Costs, core earnings	797	799
Core earnings before impairment	955	501
Impairment of loans and advances etc	(10)	(61)
Core earnings	965	562
Investment portfolio earnings	29	(29)
Profit before non-recurring items	994	533
Non-recurring items, net	(14)	37
Profit before tax	980	570
Tax	246	125
Profit for the period	734	445

Core income

Total core income has risen by DKK 435m or 36% to DKK 1,635m. The increase is primarily attributable to higher net interest income.

Net interest income has gone up by DKK 494m to DKK 986m. The increase is primarily attributable to the effects of a higher interest rate level and the rise in loans and advances to corporate clients.

Net income from the cooperation with Totalkredit represents DKK 100m (2022: DKK 145m) after a set-off of loss of DKK 1m (2022: DKK 3m).

The cooperation with DLR Kredit has generated an income of DKK 40m (2022: DKK 37m).

Compared to 2022 total mortgage credit income represents DKK 140m – a decline of DKK 43m. The decrease is primarily attributable to funded mortgage-like loans. It is expected that this income will reach a normal level as the announced interest rate increases take effect.

Income from remortgaging and loan fees has gone down by DKK 12m to DKK 49m – a drop of 20% compared with the same period in 2022. The decline is attributable to a lower level of activity.

The remaining income components have gone down by DKK 4m – a drop of 1% compared with the same period in 2022.

Core income – Q1 (DKKm)	2023	2022
Net interest etc	986	492
Mortgage credit	140	183
Payment services	60	51
Remortgaging and loan fees	49	61
Commission and brokerage	124	130
Commission etc investment funds and pooled pension plans	76	82
Asset management	84	89
Custody account fees	26	33
Other operating income	90	79
Total	1,635	1,200

Trading income

Compared with a year ago trading income has gone up by DKK 17m to DKK 117m. Trading income is considered highly satisfactory given the volatility of bond and share markets in Q1 2023.

Costs and depreciation

The Group's costs and depreciation total DKK 813m – a decrease of DKK 2m compared to the same period in 2022.

Costs and depreciation – Q1 (DKKm)	2023	2022
Staff costs	465	462
Other administrative expenses	308	311
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	32	35
Other operating expenses	8	7
Total	813	815
Distributed as follows:		
Costs, core earnings	797	799
Costs, investment portfolio earnings	2	2
Non-recurring costs	14	14

Costs (core earnings) represent DKK 797m against DKK 799m in 2022.

At 31 March 2023 the Group's staff numbered 2,062 (full-time equivalent) compared to 2,059 at 31 March 2022 and 2,034 at 31 December 2022.

Compared to year-end 2022 the number of branches is unchanged and is 55 in Denmark and 3 in Germany at end-March 2023.

Core earnings before impairment of loans and advances

Core earnings before impairment charges for loans and advances represent DKK 955m – an increase of DKK 454m or 91% compared to the same period in 2022.

Impairment of loans and advances etc

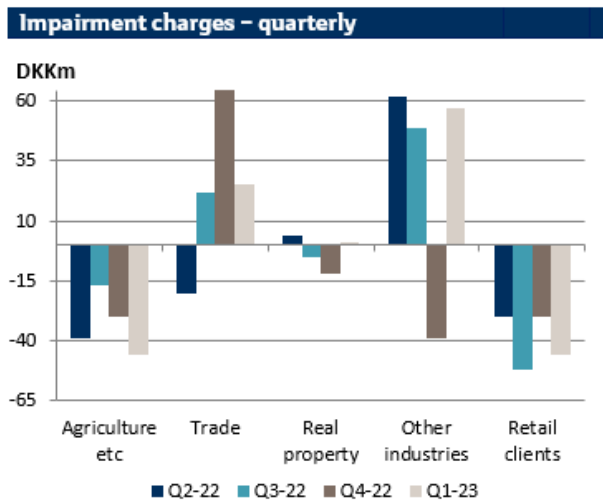
Impairment charges for loans and advances represent an income of DKK 10m compared with an income of DKK 61m in the same period in 2022.

At 31 March 2023 the Group still had a management estimate of DKK 500m to hedge 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.

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.



At 31 March 2023 accumulated impairment and provisions amounted to DKK 1,972m (year-end 2022: DKK 1,929m).

In Q1 2023 reported losses amounted to DKK 7m (Q1 2022: DKK 9m). Of the reported losses an impairment charge of DKK 4m has previously been recorded (Q1 2022: DKK 7m).

At 31 March 2022 the impairment ratio for the period represented minus 0.01% 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 2023 allocated to these stages are shown below.

Loans/advances and impairment charges – 31 Mar 2023					
(DKKm)	Stage 1	Stage 2	Stage 3	POCI	Total
Loans/advances before impairment charges	68,455	7,116	1,220	126	76,917
Impairment charges	367	709	736	-	1,812
Total loans/advances	68,088	6,407	484	126	75,105

31 Mar 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment charges as % of bank loans/advances	0.5	10.0	60.3	-	2.4
Share of bank loans/advances before impairment charges (%)	89.0	9.3	1.6	0.2	100
Share of bank loans/advances after impairment charges (%)	90.7	8.5	0.6	0.2	100

Credit impaired bank loans and advances – stage 3 – represent 1.6% (year-end 2022: 1.5%) of total bank loans and advances before impairment charges and 0.6% (year-end 2022: 0.7%) of total bank loans and advances after impairment charges.

Credit impaired bank loans and advances acquired from 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 2023 stand at 60.3% (year-end 2022: 57.0%).

Core earnings

Core earnings for Q1 2023 represent DKK 965m – an increase of DKK 403m compared with the same period in 2022.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated positive earnings of DKK 29m in Q1 2023 compared to negative earnings of DKK 29m a year ago.

Investment portfolio earnings – Q1 (DKKm)	2023	2022
Position-taking	0	(22)
Liquidity generation and liquidity reserves	32	(9)
Strategic positions	(1)	4
Costs	(2)	(2)
Total	29	(29)

The interest rate risk was positive at end-Q1 2023 and the Group would suffer a loss in the event of interest rate increases. In terms of the Group's bond portfolios – including cash resources – the interest rate risk is considered to be modest.

Non-recurring items, net

Non-recurring items represent an expense of DKK 14m compared to a net income of DKK 37m in Q1 2022.

In Q1 2023 the item included costs of DKK 10m related to the development of housing loan processes and DKK 4m related to the development of the bank/insurance partnership.

In addition to the costs related to the housing loan processes and the bank/insurance partnership, DKK 52m was recognised as income in Q1 2022 as regards extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank.

Profit for the period

Profit before tax for Q1 2023 amounts to DKK 980m compared with DKK 570m in 2022. Tax represents DKK 246m, equal to an effective tax rate of 25.2%. Profit for the period amounts to DKK 734m compared with DKK 445m in 2022.

Return

Return on shareholders' equity after tax constitutes 22.1% against 14.1% in Q1 2022.

Earnings per share stands at DKK 12.8 compared with DKK 7.4 in Q1 2022.

Subsidiaries

Profit after tax of the subsidiaries represents DKK 51m (Q1 2022: DKK 11m).

Group – Q1 2023 compared with Q4 2022

The Group's profit before tax for the quarter represents DKK 980m (Q4 2022: DKK 884m).

Compared to Q4 2022 profit before tax reflects:

- a rise in core income of DKK 131m due to a rise in net interest income
- an increase in trading income of DKK 10m

- a rise in costs (core earnings) of DKK 45m
- impairment charges for loans and advances: an income of DKK 10m (Q4: income of DKK 12m)
- investment portfolio earnings of DKK 29m (Q4: DKK 17m)

Quarterly results (DKKm)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Core income	1,635	1,504	1,291	1,199	1,200
Trading income	117	107	61	16	100
Total income	1,752	1,611	1,352	1,215	1,300
Costs, core earnings	797	752	714	775	799
Core earnings before impairment	955	859	638	440	501
Impairment of loans and advances etc	(10)	(12)	(3)	(23)	(61)
Core earnings	965	871	641	463	562
Investment portfolio earnings	29	17	(67)	(62)	(29)
Profit before non-recurring items	994	888	574	401	533
Non-recurring items, net	(14)	(4)	(12)	(12)	37
Profit before tax	980	884	562	389	570
Tax	246	170	123	86	125
Profit for the period	734	714	439	303	445

Total assets

At 31 March 2023 the Group's total assets made up DKK 174.5bn against DKK 179.3bn at year-end 2022.

Assets (DKKbn)	31 Mar 2023	31 Dec 2022
Amounts owed by credit institutions etc	26.1	30.1
Loans and advances at fair value (reverse transactions)	9.9	10.5
Loans and advances at amortised cost (bank loans and advances)	75.1	73.9
Securities and holdings etc	32.2	33.8
Assets related to pooled plans	21.1	20.6
Other assets etc	10.1	10.4
Total	174.5	179.3

The Group's bank loans and advances totalled DKK 75.1bn at 31 March 2023. Compared to year-end 2022 this is an increase of DKK 1.2bn.

Equity and liabilities (DKKbn)	31 Mar 2023	31 Dec 2022
Amounts owed to credit institutions etc	6.6	5.5
Deposits and other debt	101.5	107.5
Deposits in pooled plans	21.1	20.6
Bonds issued	13.2	13.2
Other liabilities etc	17.1	17.2
Provisions	0.2	0.2
Subordinated capital	1.1	1.1
Equity	13.7	14.0
Total	174.5	179.3

The Group's deposits make up DKK 101.5bn – a decline of DKK 6.0bn compared to year-end 2022, which is primarily attributable to corporate clients.

Equity

At 31 March 2023 shareholders' equity constituted DKK 12,964m – a decrease of DKK 221m since the beginning of the year. The change comprises additions from comprehensive income for the period of DKK 736m, net sales of own shares etc of DKK 2m as well as dividend paid of DKK 959m.

Capital

As part of the efforts to optimise the capital structure the Group will look into the possibilities of issuing supplementary capital of around EUR 100m in Q2 2023.

Risk exposure amount

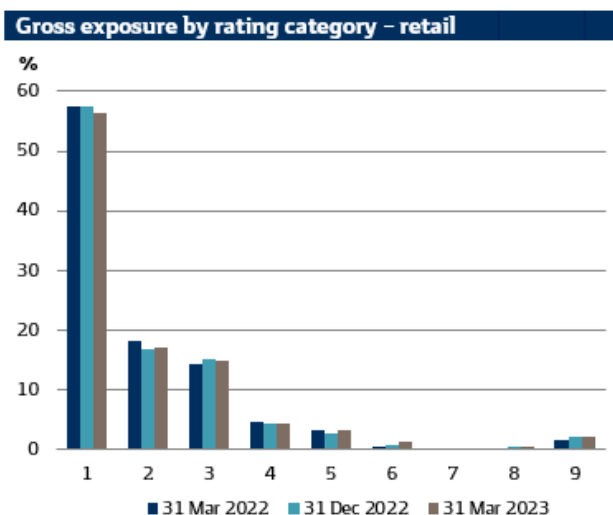
The risk exposure amount represents DKK 60.4bn (year-end 2022: DKK 60.5bn) – a decrease of DKK 0.1bn. Credit risk has gone up by DKK 0.4bn, which is predominantly attributable to the increase in bank

loans and advances. Market risk has gone down by DKK 0.5bn. Other exposures remain unchanged.

REA (DKKbn)	31 Mar 2023	31 Dec 2022
Credit Risk	41.4	41.0
Market risk	4.9	5.4
Operational risk	8.1	8.1
Other exposures, incl CVA	6.0	6.0
Total	60.4	60.5

Retail

The development in the gross exposure by rating category at 31 March 2022, 31 December 2022 and 31 March 2023 is shown 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 A-IRB. Exposures relating to customers in default are not included in the breakdown of rating categories. Impairment charges for exposures have not been deducted from the exposure.

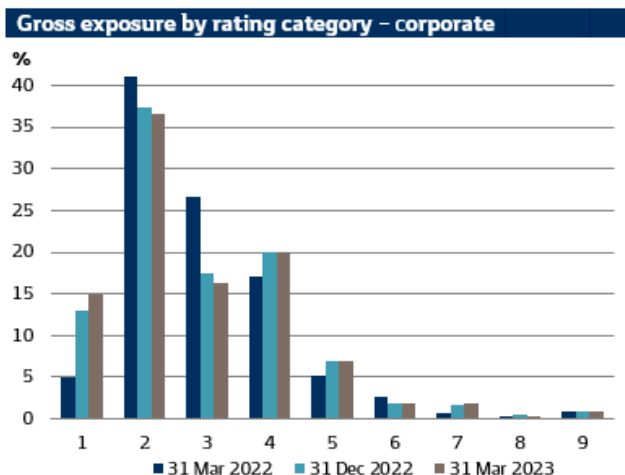
The gross exposure by rating category shows that a large share continues to be in the 4 best rating categories.

Corporate

The Group has previously used the foundation IRB approach as regards corporate exposures. The Group achieved approval from the Danish FSA as of 31 October 2022 to use the advanced IRB approach (A-IRB) to rate corporate exposures. The implementation of A-IRB has resulted in an adjustment of the PD level which in turn has affected the correlation between PD and rating categories.

With the new A-IRB approach the EBA guidelines and the new definition of default have been implemented.

The development in the gross exposure by rating category is illustrated below. Historical data is treated according to the new A-IRB approach.



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 A-IRB. Exposures relating to customers in default are not included in the breakdown of rating categories. Impairment charges for exposures have not been deducted from the exposure.

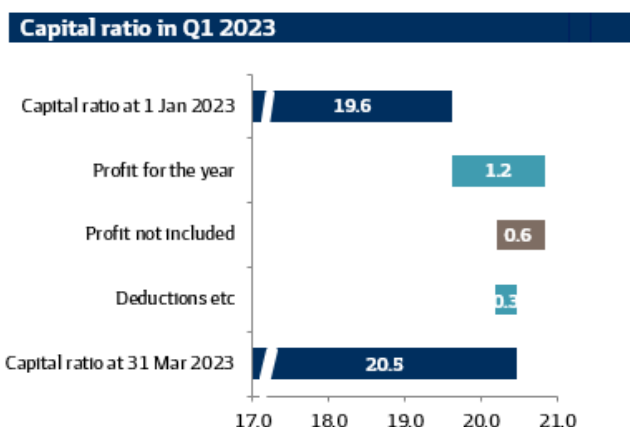
The gross exposure by rating category shows that a large share continues to be in the 4 best rating categories.

Solvency

Solvency (DKKkm)	31 Mar 2023	31 Dec 2022
REA	60,434	60,472
CET1 capital	11,003	10,484
T1 capital	11,748	11,227
Total capital	12,383	11,863
CET1 ratio	18.2	17.3
T1 capital ratio	19.4	18.6
Capital ratio	20.5	19.6

At 31 March 2023 the CET1 ratio and the capital ratio stood at 18.2% and 20.5% respectively compared to 17.3% and 19.6% respectively at year-end 2022.

The development in the capital ratio in Q1 2023 is shown below.



In Q1 2023 the capital ratio rose by 0.9pp, which is attributable to the inclusion of half of profit for the period as well as a drop in deductions etc.

At 31 March 2023 the individual solvency need represented 10.1% (31 December 2022: 10.8%). The 0.7pp decline in Q1 2023 is predominantly attributable to a decrease in the Pillar II add-on related to credit risk concentration and market risk.

Solvency of the parent

At 31 March 2023 the CET1 ratio and the capital ratio of the parent stood at 17.6% and 19.9% respectively (2022: 16.8% and 19.0% respectively).

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 2023 the individual solvency need represented 10.1%. 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 6.3% of the risk exposure amount.

In addition to the solvency need the Group must meet a combined buffer requirement of 5.9% at 31 March 2023.

Capital and solvency and capital requirements (% of REA)	31 Mar 2023	31 Dec 2022
Capital and solvency		
CET1 ratio	18.2	17.3
T1 capital ratio	19.4	18.6
Capital ratio	20.5	19.6
Capital requirements (incl buffers)*		
Total capital requirement	16.0	16.1
CET1 capital requirement	11.6	11.4
- of which SIFI buffer	1.0	1.0
- of which capital conservation buffer	2.5	2.5
- of which countercyclical buffer**	2.4	1.8
Excess capital		
CET1 capital	6.6	5.9
Total capital	4.5	3.5

* 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%. The rate currently makes up 2.5%.

** The countercyclical buffer is calculated as an exposure weighted average of the specific rates as regards the countries in which the companies to which exposures have been granted are domiciled. The rate as regards exposures to companies domiciled in Denmark constitutes 2.5%.

Market risk

At 31 March 2023 the Group's interest rate risk represented DKK 76m. 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 from businesses and financial counterparties.

The Group's LCR constituted 195% at 31 March 2023 (31 December 2022: 200%).

LCR (%) (DKKbn)	31 Mar 2023	31 Dec 2022	31 Mar 2022
Total liquidity buffer	46.4	56.5	41.0
Net cash outflows	23.8	28.2	24.0
LCR (%)	195	200	171

The Group meets the LCR requirement of 100% and its excess cover is significant at 31 March 2023.

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 127% at 31 March 2023 (2022: 132%).

NSFR (DKKbn)	31 Mar 2023	31 Dec 2022	31 Mar 2022
Required stable funding	90.8	89.7	87.2
Available stable funding	115.4	118.2	108.7
NSFR (%)	127	132	125

The Group meets the NSFR requirement of 100% and its excess cover is significant at 31 March 2023.

Funding ratio

Funding ratio (DKKbn)	31 Mar 2023	31 Dec 2022	31 Mar 2022
Equity and subordinated capital	14.9	15.1	14.0
SNP loans with maturities > 1	9.5	9.5	9.6
Deposits non-financial counterparties	95.5	101.3	86.0
Total stable funding	119.9	125.9	109.6
Bank loans and advances	75.1	73.9	71.6
Funding ratio (%)	160	170	153

The Group's stable funding exceeded the Group's bank loans and advances by DKK 44.8bn at 31 March 2023 (2022: DKK 52.0bn).

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

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.

At 31 March 2023 the Group as well as the parent comply with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond benchmarks	31 Mar 2023	31 Dec 2022	31 Mar 2022
Sum of 20 largest exposures < 175%	144	147	150
Lending growth < 20% annually	5	10	16
Commercial property exposure < 25%	8	8	8
Excess liquidity coverage > 100%	215	222	183

Subordinated debt and MREL requirements

Once a year the Danish FSA sets requirements as to subordinated debt and own funds and eligible liabilities (MREL) for Danish institutions, including Sydbank.

At 1 January 2023 the subordinated debt and MREL requirements were set at 26.6% and 24.7% respectively of the risk exposure amount.

The subordinated debt requirement can be calculated as follows:

Subordinated debt at 31 Mar 2023	Requirement (%)	DKKm
REA		60,434
Total requirement	26.6	16,076
Total capital		12,383
SNP loans with maturities exceeding 1 year		9,483
Total subordinated debt	36.2	21,866
Excess cover	9.6	5,790

At 31 March 2023 the Group met the subordinated debt requirement with an excess cover of DKK 5,790m. The excess cover corresponds to an increase in the solvency need of 4.8pp or an increase in the risk exposure amount of DKK 21,866m.

The MREL can be calculated as follows:

MREL at 31 Mar 2023	Requirement (%)	DKKm
REA		60,434
Total requirement	24.7	14,927
Total capital		12,383
SNP loans with maturities exceeding 1 year		9,483
Cover of combined buffer requirement		(3,507)
Total MREL	30.4	18,359
Excess cover	5.7	3,432

At 31 March 2023 the Group met the MREL with an excess cover of DKK 3,432m. The excess cover corresponds to an increase in the solvency need of 2.9pp or an increase in the risk exposure amount of DKK 13,893m.

Leverage ratio

The CRR2 Regulation stipulates that T1 capital must constitute at least 3% of total exposures (leverage ratio).

The Group's leverage ratio constituted 6.5% at 31 March 2023 (year-end 2022: 6.1%) 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.

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 2022 the Danish FSA set the MREL for Sydbank at 24.7% 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 2023 is expected to represent DKK 28m.

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 effect on the Group's capital requirements.

Income Statement

DKKm	Note	Q1 2023	Q1 2022	Full year 2022
Interest income calculated using the effective interest method		1,040	561	2,646
Other interest income		242	85	440
Interest income	2	1,282	646	3,086
Interest expense	3	279	115	487
Net interest income		1,003	531	2,599
Dividends on shares		19	7	30
Fee and commission income	4	599	702	2,671
Fee and commission expense	4	60	87	319
Net interest and fee income		1,561	1,153	4,981
Market value adjustments	5	213	165	386
Other operating income		7	6	24
Staff costs and administrative expenses	6	773	773	2,931
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		32	35	115
Other operating expenses	8	8	7	44
Impairment of loans and advances etc	9	(10)	(59)	(96)
Profit/(Loss) on holdings in associates and subsidiaries	10	2	2	8
Profit before tax		980	570	2,405
Tax	11	246	125	504
Profit for the period		734	445	1,901
Distribution of profit for the period				
Shareholders of Sydbank A/S		722	432	1,856
Holders of AT1 capital		10	10	39
Minority shareholders		2	3	6
Total amount to be allocated		734	445	1,901
Interest paid to holders of AT1 capital		10	10	39
Minority shareholders		2	3	6
Dividend etc		-	-	959
Transfer to equity		722	432	897
Total amount allocated		734	445	1,901
EPS Basic for the period (DKK)*		12.8	7.4	32.2
EPS Diluted for the period (DKK)*		12.8	7.4	32.2
Dividend per share (DKK)		-	-	16.77

* Calculated on the basis of average number of shares outstanding, see page 19.

Statement of Comprehensive Income

Profit for the period	734	445	1,901
Other comprehensive income			
Items that may not be reclassified to the income statement:			
Property revaluation	-	-	12
Value adjustment of certain strategic shares	14	55	42
Other comprehensive income after tax	14	55	54
Comprehensive income for the period	748	500	1,955

Balance Sheet

DKKm	Note	31 Mar 2023	31 Dec 2022	31 Mar 2022
Assets				
Cash and balances on demand at central banks		5,483	8,134	1,589
Amounts owed by credit institutions and central banks	12	20,574	21,959	9,981
Loans and advances at fair value		9,874	10,490	21,152
Loans and advances at amortised cost	13	75,105	73,933	71,610
Bonds at fair value		29,190	30,553	26,330
Shares etc		2,845	3,064	2,803
Holdings in associates etc		166	165	174
Assets related to pooled plans		21,109	20,597	21,522
Intangible assets		356	364	394
Owner-occupied property		1,123	1,125	1,129
Owner-occupied property (leasing)		98	103	100
Total land and buildings		1,221	1,228	1,229
Other property, plant and equipment		40	48	43
Current tax assets		404	565	708
Deferred tax assets		9	8	6
Other assets	14	8,051	8,139	5,518
Prepayments		67	71	65
Total assets		174,494	179,318	163,124
Equity and liabilities				
Amounts owed to credit institutions and central banks	15	6,570	5,483	6,421
Deposits and other debt	16	101,464	107,501	93,078
Deposits in pooled plans		21,109	20,597	21,522
Bonds issued at amortised cost		13,204	13,242	9,616
Current tax liabilities		11	10	19
Other liabilities	17	17,091	17,180	18,056
Deferred income		12	12	7
Total liabilities		159,461	164,025	148,719
Provisions	18	169	197	356
Subordinated capital	19	1,117	1,115	1,115
Equity:				
Share capital		584	584	597
Revaluation reserves		144	144	132
Other reserves:				
Reserves according to articles of association		425	425	425
Reserve for net revaluation according to equity method		2	2	2
Retained earnings		11,809	11,071	10,995
Proposed dividend etc		-	959	-
Shareholders of Sydbank A/S		12,964	13,185	12,151
Holder of AT1 capital		748	757	747
Minority shareholders		35	39	36
Total equity		13,747	13,981	12,934
Total equity and liabilities		174,494	179,318	163,124

Financial Highlights – Quarterly

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Income statement (DKKm)					
Core income	1,635	1,504	1,291	1,199	1,200
Trading income	117	107	61	16	100
Total income	1,752	1,611	1,352	1,215	1,300
Costs, core earnings	797	752	714	775	799
Core earnings before impairment	955	859	638	440	501
Impairment of loans and advances etc	(10)	(12)	(3)	(23)	(61)
Core earnings	965	871	641	463	562
Investment portfolio earnings	29	17	(67)	(62)	(29)
Profit before non-recurring items	994	888	574	401	533
Non-recurring items, net	(14)	(4)	(12)	(12)	37
Profit before tax	980	884	562	389	570
Tax	246	170	123	86	125
Profit for the period	734	714	439	303	445
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	75.1	73.9	75.1	74.2	71.6
Loans and advances at fair value	9.9	10.4	10.2	12.9	21.2
Deposits and other debt	101.5	107.5	106.6	100.2	93.1
Bonds issued at amortised cost	13.2	13.2	13.2	9.6	9.6
Subordinated capital	1.1	1.1	1.1	1.1	1.1
AT1 capital	0.7	0.8	0.7	0.8	0.7
Shareholders' equity	13.0	13.2	12.5	12.2	12.2
Total assets	174.5	179.3	177.9	169.1	163.1
Financial ratios per share (DKK per share of DKK 10)					
EPS	12.8	12.5	7.4	5.0	7.4
Share price at end of period	308.8	292.6	208.6	217.2	230.8
Book value	229.4	233.4	219.9	212.3	208.7
Share price/book value	1.35	1.25	0.95	1.02	1.11
Average number of shares outstanding (in millions)	56.5	56.6	57.3	58.0	58.4
Dividend per share	-	16.77	-	-	-
Other financial ratios and key figures					
CET1 ratio	18.2	17.3	17.2	16.6	16.5
T1 capital ratio	19.4	18.6	18.4	17.8	17.8
Capital ratio	20.5	19.6	19.7	19.1	19.1
Pre-tax profit as % p.a. of average equity	29.6	27.3	17.8	12.4	18.1
Post-tax profit as % p.a. of average equity	22.1	22.0	13.8	9.6	14.1
Costs (core earnings) as % of total income	45.5	46.7	52.8	63.8	61.5
Return on assets (%)	0.4	0.4	0.3	0.2	0.3
Interest rate risk	0.6	1.3	1.0	1.4	1.2
Foreign exchange position	5.4	1.8	2.1	3.3	1.6
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	195	200	192	170	171
Loans and advances relative to deposits	0.6	0.6	0.6	0.6	0.6
Loans and advances relative to equity	5.8	5.6	6.0	6.1	5.9
Growth in loans and advances during the period	1.6	(1.6)	1.3	3.6	6.8
Total large exposures	144	147	157	154	150
Accumulated impairment ratio	2.1	2.1	2.1	2.0	2.1
Impairment ratio for the period	(0.01)	(0.01)	0.00	(0.02)	(0.06)
Number of full-time staff at end of period	2,062	2,034	2,040	2,017	2,059

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 2022 Annual Report (page 127).

Statement of Changes in Equity

DKKm	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 2023	584	144	425	2	11,071	959	13,185	757	39	13,981
Profit for the period					722		722	10	2	734
Other comprehensive income					14		14			14
Comprehensive income for the period	-	-	-	-	736	-	736	10	2	748
Transactions with owners										
Purchase of own shares					(415)		(415)			(415)
Sale of own shares					419		419			419
Interest paid on AT1 capital								(21)		(21)
Exchange rate adjustment					(2)		(2)	2		-
Dividend etc paid						(959)	(959)		(6)	(965)
Dividend, own shares					0		0			0
Total transactions with owners	-	-	-	-	2	(959)	(957)	(19)	(6)	(982)
Equity at 31 Mar 2023	584	144	425	2	11,809	-	12,964	748	35	13,747
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

* 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 2023	31 Dec 2022	31 Mar 2022
Share capital (DKK)	583,873,200	583,873,200	596,763,200
Shares issued (number)	58,387,320	58,387,320	59,676,320
Shares outstanding at end of period (number)	56,505,577	56,494,660	58,210,397
Average number of shares outstanding (number)	56,494,845	57,549,963	58,362,997

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

Capital Statement

DKKm	31 Mar 2023	31 Dec 2022	31 Mar 2022
Solvency			
CET1 ratio	18.2	17.3	16.5
T1 capital ratio	19.4	18.6	17.8
Capital ratio	20.5	19.6	19.1
Total capital			
Equity, shareholders of Sydbank A/S	12,964	13,185	12,151
Not included share of profit for the period	(376)	-	(442)
Prudent valuation	(70)	(70)	(76)
Actual or contingent obligations to purchase own shares	(8)	(9)	(396)
Proposed dividend	-	(959)	-
Intangible assets and capitalised deferred tax assets	(293)	(302)	(341)
Significant investments in the financial sector	(1,197)	(1,387)	(1,114)
Transitional arrangement IFRS 9	0	42	46
Insufficient coverage for non-performing exposures	(17)	(16)	(6)
CET1 capital	11,003	10,484	9,822
AT1 capital – equity	745	744	744
T1 capital	11,748	11,227	10,566
T2 capital	558	557	556
Instruments in entities in the financial sector in which the institution has significant investments	(156)	(156)	-
Difference between expected losses and impairment for accounting purposes	233	234	220
Total capital	12,383	11,863	11,342
Credit risk*	41,453	41,018	41,309
Market risk	4,865	5,363	5,331
Operational risk	8,137	8,137	7,195
Other exposures, incl CVA	5,979	5,954	5,644
REA	60,434	60,472	59,479
Pillar I capital requirement	4,835	4,838	4,758
* Credit risk			
Corporate clients, IRB	33,021	33,060	30,741
Retail clients, IRB	5,847	5,928	5,933
Corporate clients, STD	351	458	571
Retail clients, STD	871	857	3,404
Credit institutions etc	1,363	715	660
Total	41,453	41,018	41,309

Cash Flow Statement

DKKm	Q1 2023	Full year 2022	Q1 2022
Operating activities			
Pre-tax profit for the period	980	2,405	570
Taxes paid	(89)	(938)	(500)
<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	32	115	35
Impairment of loans and advances/guarantees	10	96	(59)
Other non-cash operating items	(28)	(169)	(10)
<u>Changes in working capital:</u>			
Credit institutions and central banks	2,290	(6,930)	6,405
Trading portfolio	1,471	(1,963)	2,305
Other financial instruments at fair value	(33)	(198)	135
Loans and advances	(566)	(561)	(8,744)
Deposits	(6,037)	13,625	(798)
Other assets/liabilities	(7)	(1,110)	1,974
Cash flows from operating activities	(1,977)	4,372	1,313
Investing activities			
Sale of holdings in associates		8	
Purchase of equity investments	(120)	(228)	(6)
Sale of equity investments	231	68	61
Purchase/sale of intangible assets	(1)		
Purchase of property, plant and equipment	(8)	(72)	(6)
Sale of property, plant and equipment	0	10	
Cash flows from investing activities	102	(214)	49
Financing activities			
Purchase and sale of own holdings	3	(427)	(39)
Dividend etc	(959)	(711)	(711)
Redemption of subordinated capital		(744)	(744)
Issue of bonds		3,718	
Redemption of bonds		(3,718)	(3,718)
Cash flows from financing activities	(956)	(1,882)	(5,212)
Cash flows for the period	(2,831)	2,276	(3,850)
Cash and cash equivalents at 1 Jan	8,600	6,324	6,324
Cash flows for the period	(2,831)	2,276	(3,850)
Cash and cash equivalents at end of period	5,769	8,600	2,474
Cash and cash equivalents at end of period			
Cash and balances on demand at central banks	5,483	8,134	1,589
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	286	466	885
Cash and cash equivalents at end of period	5,769	8,600	2,474

Segment Reporting etc

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments						
Q1 2023						
Core income	1,521	84	30			1,635
Trading income			117			117
Total income	1,521	84	147	-	-	1,752
Costs, core earnings	689	34	55		19	797
Impairment of loans and advances etc	(10)					(10)
Core earnings	842	50	92	-	(19)	965
Investment portfolio earnings	(1)			30		29
Profit before non-recurring items	841	50	92	30	(19)	994
Non-recurring items, net	(14)					(14)
Profit before tax	827	50	92	30	(19)	980
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

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 customers and investment funds.

Sydbank Markets comprises trading income as well as a share of the income from customers 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 2023								
Net interest and fee income	1,510	123			1,633	(72)		1,561
Market value adjustments	116	(6)		0	110	103		213
Other operating income	7				7			7
Income	1,633	117	-	0	1,750	31	-	1,781
Staff costs and administrative expenses			(757)		(757)	(2)	(14)	(773)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(32)		(32)			(32)
Other operating expenses			(8)		(8)			(8)
Impairment of loans and advances etc				10	10			10
Profit/(Loss) on holdings in associates and subsidiaries	2				2			2
Profit before tax	1,635	117	(797)	10	965	29	(14)	980
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

The Sydbank Group's internal reporting is not made on the basis of products and services. Reference is made to notes 2, 3 and 4 for the distribution of net interest income as well as fee income.

Notes

Note 1

Accounting policies

The interim report covers the period from 1 January to 31 March 2023 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 2022 Annual Report, to which reference is made.

The 2022 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 2022 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 2023 the probability of the downturn scenario was fixed at 95%, which is unchanged compared with 31 December 2022.

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.

Notes



Note 1 - continued

In addition to the calculated impairment charges, management estimates whether there is a need for 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.

At 31 March 2023 the Group still had a management estimate of DKK 500m to hedge macroeconomic uncertainty. The management estimate represents 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.

The Group's significant risks and the external elements which may affect the Group are described in greater detail in the 2022 Annual Report.

Notes

DKKm	Q1 2023	Q1 2022	Full year 2022
Note 2			
Interest income calculated using the effective interest method			
Amounts owed by credit institutions and central banks	156	4	121
Loans and advances and other amounts owed	878	423	2,166
Other interest income	6	0	1
Interest on amounts owed to credit institutions*	-	2	4
Interest on deposits*	-	132	354
Total	1,040	561	2,646
Other interest income			
Reverse transactions with credit institutions and central banks	13	-	15
Reverse loans and advances	59	-	39
Repo transactions with credit institutions and central banks and repo deposits*	-	8	2
Bonds	138	16	133
Total derivatives	32	61	251
comprising:			
Foreign exchange contracts	15	12	45
Interest rate contracts	17	49	206
Total	242	85	440
Total interest income	1,282	646	3,086
* Negative interest expense			
Fair value, designated at initial recognition	72	8	56
Fair value, held for trading	170	77	384
Assets recognised at amortised cost	1,040	561	2,646
Total	1,282	646	3,086

The Group's cash resources primarily comprise 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 2023	Q1 2022	Full year 2022
Note 3			
Interest expense			
Repo transactions with credit institutions and central banks	15	0	15
Reverse transactions with credit institutions and central banks and reverse loans and advances*	-	29	14
Amounts owed to credit institutions and central banks	9	0	9
Repo deposits	7	0	39
Deposits and other debt	155	22	162
Bonds*	-	6	3
Bonds issued	82	30	166
Interest on amounts owed by credit institutions and central banks*	-	21	55
Subordinated capital	10	6	22
Other interest expense	1	1	2
Total	279	115	487
* Negative interest income			
Fair value, designated at initial recognition	22	29	68
Fair value, held for trading	0	6	3
Liabilities recognised at amortised cost	257	80	416
Total	279	115	487
Note 4			
Fee and commission income			
Securities trading and custody accounts	197	239	823
Advisory fee, asset management	86	94	365
Payment services	86	79	347
Loan fees	53	68	266
Guarantee commission	46	41	183
Income concerning funded mortgage-like loans	5	24	63
Other fees and commission	126	157	624
Total fee and commission income	599	702	2,671
Fee expense, asset management	1	5	14
Other fee and commission expense	59	82	305
Total fee and commission expense	60	87	319
Net fee and commission income	539	615	2,352

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 1m in Q1 2023 (Q1 2022: DKK 3m) and has been deducted from commission received which is included under other fees and commission.

Notes

DKKm	Q1 2023	Q1 2022	Full year 2022
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	9	63	106
Bonds	97	(97)	(391)
Shares etc	50	44	122
Foreign exchange	72	58	243
Derivatives	(14)	96	306
Assets related to pooled plans	345	(1,072)	(2,954)
Deposits in pooled plans	(345)	1,072	2,954
Other assets/liabilities	(1)	1	0
Total	213	165	386

Note 6

Staff costs and administrative expenses

Salaries and remuneration:			
Group Executive Management	4	5	23
Board of Directors	2	2	7
Shareholders' Committee	1	1	3
Total	7	8	33
Staff costs:			
Wages and salaries	370	364	1,373
Pensions	38	40	151
Social security contributions	3	4	12
Payroll tax	47	47	187
Total	458	455	1,723
Other administrative expenses:			
IT	183	199	837
Rent etc	20	19	102
Marketing and entertainment expenses	18	19	88
Other costs	87	73	148
Total	308	310	1,175
Total	773	773	2,931

Note 7

Staff

Average number of staff (full-time equivalent)	2,079	2,092	2,072
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Notes

DKKm	Q1 2023	Q1 2022	Full year 2022
Note 8			
Other operating expenses			
Contribution to the resolution fund	7	7	27
Other expenses	1	0	17
Total	8	7	44
Note 9			
Impairment of loans and advances recognised in the income statement			
Impairment and provisions	37	(15)	25
Write-offs	3	2	19
Recovered from debt previously written off	50	46	140
Impairment of loans and advances etc	(10)	(59)	(96)
Impairment and provisions at end of period (allowance account)			
Stage 1	127	320	133
Stage 2	650	619	628
Stage 3	695	697	668
Management estimates	500	325	500
Impairment and provisions at end of period	1,972	1,961	1,929
Impairment and provisions			
Impairment and provisions at 1 Jan	1,929	1,974	1,974
New impairment charges and provisions during the period, net	47	(6)	(16)
Impairment charges previously recorded, now finally written off	4	7	29
Impairment and provisions at end of period	1,972	1,961	1,929
Impairment charges for loans and advances	1,812	1,812	1,740
Provisions for undrawn credit commitments	51	50	73
Provisions for guarantees	109	99	116
Impairment and provisions at end of period	1,972	1,961	1,929

Losses recognised for the period constitute DKK 7m. As regards losses recognised for the period a legal claim of DKK 6m has been upheld. As regards losses recognised a legal claim of DKK 37m has been upheld at year-end 2022.

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
	2023	2022	2023	2022	2023	2022	2023	2022
Note 9 – continued								
Loans and advances and guarantees as well as impairment of loans and advances etc by industry								
Building and construction	4,358	4,335	150	131	20	10	2	0
Energy supply	5,323	4,560	13	15	(3)	(2)	0	0
Real property	7,067	7,112	94	91	1	9	0	0
Finance and insurance	8,547	7,997	113	114	(2)	(14)	0	0
Trade	18,108	17,637	451	420	25	31	1	1
Hotels and restaurants	422	348	66	56	8	(2)	0	0
Manufacturing and extraction of raw materials	9,609	9,523	281	252	26	5	1	0
Information and communication	503	503	16	14	2	0	0	0
Agriculture, hunting, forestry and fisheries	3,560	3,597	225	238	(46)	(16)	1	1
Transportation	2,687	2,680	29	32	(2)	(1)	0	0
Other industries	11,007	10,935	157	148	8	(15)	0	0
Total corporate	71,191	69,227	1,595	1,511	37	5	5	2
Public authorities	44	74						
Retail	21,481	22,321	377	418	(47)	(64)	2	7
Total	92,716	91,622	1,972	1,929	(10)	(59)	7	9
Building and construction								
Completion of building projects	542	480	3	4	0	0	0	0
Building and construction activities	1,912	1,856	102	88	13	7	2	0
Construction of buildings	1,360	1,491	44	36	8	7	0	0
Other building and construction	544	508	1	3	(1)	(4)	0	0
Total	4,358	4,335	150	131	20	10	2	0
Real property								
Non-profit housing associations	2,457	2,352	6	8	(2)	2	0	0
Leasing of commercial property	2,804	3,035	49	44	5	1	0	0
Leasing of residential property	608	524	7	6	0	0	0	0
Other real property	1,198	1,201	32	33	(2)	6	0	0
Total	7,067	7,112	94	91	1	9	0	0
Finance and insurance								
Holding companies	5,239	4,922	75	75	(1)	1	0	0
Financing companies	3,308	3,075	38	39	(1)	(15)	0	0
Total	8,547	7,997	113	114	(2)	(14)	0	0

Notes

DKKkm	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
	2023	2022	2023	2022	2023	2022	2023	2022
Note 9 – continued								
Loans and advances and guarantees as well as impairment of loans and advances etc by industry								
Trade								
Retail	1,756	1,539	40	37	3	1	0	1
Retail trade of passenger cars and motorcycles	2,909	2,900	67	61	5	3	0	0
Wholesale, other machinery	1,566	1,403	25	25	0	(10)	0	0
Wholesale, food, beverages and tobacco	2,023	1,906	28	28	(1)	(1)	0	0
Wholesale, household durables	4,185	3,818	220	200	17	18	0	0
Wholesale, agricultural raw materials and live animals	1,529	1,612	11	10	(1)	11	0	0
Other specialised wholesale	2,447	2,958	32	33	(1)	9	0	0
Other trade	1,693	1,501	28	26	3	0	1	0
Total	18,108	17,637	451	420	25	31	1	1
Manufacturing and extraction of raw materials								
Extraction of raw materials	290	311	3	4	0	0	0	0
Manufacture of textiles and clothing	1,088	1,084	8	9	0	0	0	0
Manufacture and repair of machinery and equipment	1,542	1,501	32	33	0	(1)	0	0
Manufacture of food products	2,368	2,396	60	54	2	18	1	0
Iron and steel industry, excl machinery and equipment	1,385	1,332	96	91	5	(11)	0	0
Other manufacturing	2,936	2,899	82	61	19	(1)	0	0
Total	9,609	9,523	281	252	26	5	1	0
Agriculture, hunting, forestry and fisheries								
Pig farming	427	374	38	40	(4)	(1)	0	0
Cattle farming	1,197	1,273	64	69	(23)	5	0	1
Crop production	908	948	51	63	(26)	(26)	1	0
Other agriculture	1,028	1,002	72	66	7	6	0	0
Total	3,560	3,597	225	238	(46)	(16)	1	1
Transportation								
Freight transport by road	1,030	1,063	21	24	(3)	2	0	0
Water transport	470	481	0	0	0	0	0	0
Air transport	275	257	2	2	0	(1)	0	0
Other transportation	912	879	6	6	1	(2)	0	0
Total	2,687	2,680	29	32	(2)	(1)	0	0
Other industries								
Rental and leasing activities	3,939	3,805	27	22	5	1	0	0
Activities of head offices	2,244	2,181	15	15	(2)	1	0	0
Liberal professions	1,695	1,731	43	35	7	(3)	0	0
Other industries	3,129	3,218	72	76	(2)	(14)	0	0
Total	11,007	10,935	157	148	8	(15)	0	0

Notes

DKKm	Q1 2023	Q1 2022	Full year 2022
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Note 10

Profit/(Loss) on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	2	2	8
Total	2	2	8

Note 11

Effective tax rate

Current tax rate of Sydbank	25.2	22.0	22.0
Permanent differences	-	-	(1.5)
Adjustment of prior year tax charges	-	-	0.5
Effective tax rate	25.2	22.0	21.0

DKKm	31 Mar 2023	31 Dec 2022	31 Mar 2022
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	13,720	18,591	5,430
Amounts owed by credit institutions	6,854	3,368	4,551
Total	20,574	21,959	9,981
Of which reverse transactions	3,629	2,891	3,197

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2023 Total	31 Dec 2022 Total
Note 13						
Loans and advances, guarantees and allowance account by stage						
Loans and advances before impairment charges	68,455	7,116	1,220	126	76,917	75,673
Guarantees	14,764	844	191		15,799	15,949
Total loans and advances and guarantees	83,219	7,960	1,411	126	92,716	91,622
%	89.8	8.6	1.5	0.1	100.0	100.0
Impairment of loans and advances	367	709	736		1,812	1,740
Provisions for undrawn credit commitments	19	29	3		51	73
Provisions for guarantees	8	40	61		109	116
Total allowance account	394	778	800	-	1,972	1,929
Allowance account at 1 Jan	400	757	772		1,929	1,974
New impairment charges and provisions during the period, net	(6)	21	32		47	(16)
Impairment charges previously recorded, now finally written off			4		4	29
Total allowance account at end of period	394	778	800	-	1,972	1,929
Impairment charges as % of loans and advances	0.5	10.0	60.3		2.4	2.3
Provisions as % of guarantees	0.1	4.7	31.9		0.7	0.7
Allowance account as % of loans and advances and guarantees	0.5	9.8	56.7		2.1	2.1
Loans and advances before impairment charges	68,455	7,116	1,220	126	76,917	75,673
Impairment charges for loans and advances	367	709	736		1,812	1,740
Loans and advances after impairment charges	68,088	6,407	484	126	75,105	73,933
%	90.7	8.5	0.6	0.2	100.0	100.0

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2023 Total	31 Dec 2022 Total
Note 13 - continued						
Loans and advances before impairment charges						
Rating category						
1	10,396				10,396	10,094
2	22,552				22,552	22,419
3	10,503	3			10,506	10,858
4	17,183	832			18,015	17,366
5	5,097	1,822			6,919	6,219
6	1,105	833			1,938	2,115
7	145	1,706			1,851	1,695
8		493			493	505
9		1,427			1,427	1,384
Default			1,220		1,220	1,186
NR/STD	1,474			126	1,600	1,832
Total	68,455	7,116	1,220	126	76,917	75,673
Impairment of loans and advances						
Rating category						
1	1				1	1
2	17				17	17
3	79				79	80
4	97	15			112	110
5	80	49			129	133
6	65	34			99	102
7	17	96			113	104
8		50			50	45
9		465			465	445
Default			736		736	649
NR/STD	11				11	54
Total	367	709	736	-	1,812	1,740
Loans and advances after impairment charges						
Rating category						
1	10,395				10,395	10,093
2	22,535				22,535	22,402
3	10,424	3			10,427	10,778
4	17,086	817			17,903	17,256
5	5,017	1,773			6,790	6,086
6	1,040	799			1,839	2,013
7	128	1,610			1,738	1,591
8		443			443	460
9		962			962	939
Default			484		484	537
NR/STD	1,463			126	1,589	1,778
Total	68,088	6,407	484	126	75,105	73,933

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2023 Total	31 Dec 2022 Total
Note 13 – continued						
Loans and advances before impairment charges						
1 Jan	67,502	6,844	1,186	141	75,673	68,871
Transfers between stages						
Transferred to stage 1	1,338	(1,323)	(15)		-	-
Transferred to stage 2	(1,942)	2,010	(68)		-	-
Transferred to stage 3	(14)	(68)	82		-	-
New exposures	4,815	281	106		5,202	19,126
Redeemed exposures	(3,482)	(480)	(44)		(4,006)	(12,758)
Changes in balances	238	(148)	(20)	(15)	55	480
Write-offs			(7)		(7)	(46)
End of period	68,455	7,116	1,220	126	76,917	75,673
Impairment of loans and advances						
1 Jan	371	693	676	-	1,740	1,830
Transfers between stages						
Transferred to stage 1	65	(65)			-	-
Transferred to stage 2	(36)	54	(18)		-	-
Transferred to stage 3	0	(24)	24		-	-
New exposures	36	17	17		70	276
Redeemed exposures	(20)	(31)	(20)		(71)	(530)
Changes in balances	(49)	65	61		77	193
Write-offs			(4)		(4)	(29)
End of period	367	709	736	-	1,812	1,740
Loans and advances after impairment charges						
1 Jan	67,131	6,151	510	141	73,933	67,041
Transfers between stages						
Transferred to stage 1	1,273	(1,258)	(15)		-	-
Transferred to stage 2	(1,906)	1,956	(50)		-	-
Transferred to stage 3	(14)	(44)	58		-	-
New exposures	4,779	264	89		5,132	18,850
Redeemed exposures	(3,462)	(449)	(24)		(3,935)	(12,228)
Changes in balances	287	(213)	(81)	(15)	(22)	287
Write-offs			(3)		(3)	(17)
End of period	68,088	6,407	484	126	75,105	73,933

Notes

DKKm	31 Mar 2023	31 Dec 2022	31 Mar 2022
Note 14			
Other assets			
Positive market value of derivatives etc	6,161	6,397	3,578
Sundry debtors	759	740	774
Interest and commission receivable	265	195	95
Cash collateral provided, CSA agreements	863	807	1,071
Other assets	3	0	0
Total	8,051	8,139	5,518
Note 15			
Amounts owed to credit institutions and central banks			
Amounts owed to central banks	3	10	7
Amounts owed to credit institutions	6,567	5,473	6,414
Total	6,570	5,483	6,421
Of which repo transactions	3,323	2,868	2,333
Note 16			
Deposits and other debt			
On demand	88,619	95,777	85,527
At notice	101	2,318	141
Time deposits	8,095	4,722	3,397
Special categories of deposits	4,649	4,684	4,013
Total	101,464	107,501	93,078
Of which repo transactions	1,617	1,106	2,626
Note 17			
Other liabilities			
Negative market value of derivatives etc	5,877	6,147	3,663
Sundry creditors	4,341	5,484	5,154
Negative portfolio, reverse transactions	5,942	4,721	8,619
Lease liability	99	103	101
Interest and commission etc	232	87	43
Cash collateral received, CSA agreements	600	638	476
Total	17,091	17,180	18,056

Notes

DKKm	31 Mar 2023	31 Dec 2022	31 Mar 2022
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Note 18

Provisions

Provisions for pensions and similar obligations	2	2	3
Provisions for deferred tax	5	4	202
Provisions for guarantees	109	116	99
Other provisions	53	75	52
Total	169	197	356

Note 19

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
4.362 (floating)	1)	Bond loan	EUR 75	2 Nov 2029	558	557	557
2.916 (floating)	2)	Bond loan	EUR 75	Perpetual	559	558	558
Total T2 capital					1,117	1,115	1,115
Total subordinated capital					1,117	1,115	1,115

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

2) The interest rate follows the 10Y Mid-Swap plus a margin of 0.2%. Is not included in total capital.

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	6,548	6,117	6,952
Mortgage finance guarantees	4,362	3,890	4,988
Funded mortgage-like loan guarantees	788	804	902
Registration and remortgaging guarantees	2,262	3,451	7,437
Other contingent liabilities	1,839	1,687	1,791
Total	15,799	15,949	22,070

Other obligating agreements

Irrevocable credit commitments	1,381	1,722	634
Other liabilities	7	6	7
Total	1,388	1,728	641

Notes

DKKm	31 Mar 2023	31 Dec 2022	31 Mar 2022
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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 impact 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 6.1% 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. In the period from 2015 to 2022 Sydbank has contributed DKK 162m and expects that contributions will total approximately DKK 220m over the 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 effect on the financial position of the Group.

Note 21

Collateral

At 31 March 2023 the Group had deposited as collateral securities at a market value of DKK 169m 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 863m and deposited as collateral securities at a market value of minus DKK 26m 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	4,910	3,961	4,930
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Assets purchased as part of reverse transactions

Bonds at fair value	13,605	13,340	24,169
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Notes

DKKm	Q1 2023	Q1 2022	Index 23/22	31 Dec 2022
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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 2023. Reference is made to the Group's 2022 Annual Report for a more detailed description of related party transactions.

Note 23

Reporting events occurring after the balance sheet date

No matters of significant impact on the financial position of the Sydbank Group have occurred after the expiry of Q1.

Note 24

Large shareholders

Dimensional Holdings Inc., USA, owns more than 5% of Sydbank's share capital.

Note 25

Core income

Net interest etc	986	492	200	2,461
Mortgage credit*	140	183	77	660
Payment services	60	51	118	237
Remortgaging and loan fees	49	61	80	239
Commission and brokerage	124	130	95	478
Commission etc investment funds and pooled pension plans	76	82	93	319
Asset management	84	89	94	351
Custody account fees	26	33	79	113
Other operating income	90	79	114	336
Total	1,635	1,200	136	5,194

* Mortgage credit

Totalkredit cooperation	101	148	68	541
Totalkredit, set-off of loss	1	3	33	8
Totalkredit cooperation, net	100	145	69	533
DLR Kredit	40	37	108	125
Other mortgage credit income	0	1	0	2
Total	140	183	77	660

Notes

DKKkm	FVPL	Fair value option	FVOCI	Total fair value	31 Mar 2023 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				-	5,483
Amounts owed by credit institutions and central banks	3,629			3,629	16,945
Loans and advances at fair value	9,874			9,874	-
Loans and advances at amortised cost				-	75,105
Bonds at fair value	10,223	18,967		29,190	-
Shares etc	120	2,225	500	2,845	-
Assets related to pooled plans		21,109		21,109	-
Land and buildings			1,221	1,221	-
Other assets	6,198	116		6,314	1,737
Total	30,044	42,417	1,721	74,182	99,270
Undrawn credit commitments				-	56,868
Maximum credit risk, collateral not considered	30,044	42,417	1,721	74,182	156,138
Financial liabilities					
Amounts owed to credit institutions and central banks	3,323			3,323	3,247
Deposits and other debt	1,617			1,617	99,847
Deposits in pooled plans		21,109		21,109	-
Bonds issued at amortised cost				-	13,204
Other liabilities	11,820			11,820	830
Subordinated capital				-	1,117
Total	16,760	21,109	-	37,869	118,245

Notes

DKKm	FVPL	Fair value		Total fair value	31 Dec
		option	FVOCI		2022
					Amortised cost
Note 26 - continued					
Financial assets					
Cash and balances on demand at central banks				-	8,134
Amounts owed by credit institutions and central banks	2,891			2,891	19,068
Loans and advances at fair value	10,490			10,490	-
Loans and advances at amortised cost				-	73,933
Bonds at fair value	11,286	19,267		30,553	-
Shares etc	159	2,414	491	3,064	-
Assets related to pooled plans		20,597		20,597	-
Land and buildings			1,228	1,228	-
Other assets	6,435	61		6,496	1,643
Total	31,261	42,339	1,719	75,319	102,778
Undrawn credit commitments				-	55,469
Maximum credit risk, collateral not considered	31,261	42,339	1,719	75,319	158,247
Financial liabilities					
Amounts owed to credit institutions and central banks	2,868			2,868	2,615
Deposits and other debt	1,106			1,106	106,395
Deposits in pooled plans		20,597		20,597	-
Bonds issued at amortised cost				-	13,242
Other liabilities	10,868			10,868	724
Subordinated capital				-	1,115
Total	14,842	20,597	-	35,439	124,091

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 2023 CVA constituted DKK 16m compared to DKK 16m at year-end 2022.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At 31 March 2023 client margins not yet recognised as income totalled DKK 14m compared to DKK 14m at year-end 2022.

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 is 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 is 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 on 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 248m (31 December 2022: DKK 361m).

Notes

DKKkm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Carrying amount
Note 26 - continued					
31 Mar 2023					
Financial assets					
Amounts owed by credit institutions and central banks		3,629		3,629	3,629
Loans and advances at fair value		9,874		9,874	9,874
Bonds at fair value		29,190		29,190	29,190
Shares etc	627	26	2,192	2,845	2,845
Assets related to pooled plans	14,641	6,468		21,109	21,109
Land and buildings			1,221	1,221	1,221
Other assets	379	5,935		6,314	6,314
Total	15,647	55,122	3,413	74,182	74,182
Financial liabilities					
Amounts owed to credit institutions and central banks		3,323		3,323	3,323
Deposits and other debt		1,617		1,617	1,617
Deposits in pooled plans		21,109		21,109	21,109
Other liabilities	292	11,528		11,820	11,820
Total	292	37,577		37,869	37,869
31 Dec 2022					
Financial assets					
Amounts owed by credit institutions and central banks		2,891		2,891	2,891
Loans and advances at fair value		10,490		10,490	10,490
Bonds at fair value		30,553		30,553	30,553
Shares etc	626	56	2,382	3,064	3,064
Assets related to pooled plans	13,532	7,065		20,597	20,597
Land and buildings			1,228	1,228	1,228
Other assets	383	6,113		6,496	6,496
Total	14,541	57,168	3,610	75,319	75,319
Financial liabilities					
Amounts owed to credit institutions and central banks		2,868		2,868	2,868
Deposits and other debt		1,106		1,106	1,106
Deposits in pooled plans		20,597		20,597	20,597
Other liabilities	301	10,568		10,869	10,869
Total	301	35,139		35,440	35,440

DKKkm	31 Mar 2023	31 Dec 2022	31 Mar 2022
Assets measured on the basis of unobservable inputs			
Carrying amount at 1 Jan		2,183	2,183
Additions		156	1
Disposals	231	68	61
Market value adjustment	41	111	39
Carrying amount at end of period	2,192	2,382	2,162
Recognised in profit for the period			
Dividend	17	22	0
Market value adjustment	41	111	39
Total	58	133	39

Notes

DKKm	31 Mar 2023	31 Dec 2022	31 Mar 2022
Note 27			
Leverage ratio			
Leverage ratio exposures			
Total assets	174,494	179,318	163,124
Of which pooled assets	(21,109)	(20,597)	(21,522)
Correction derivatives etc	3,036	968	5,070
Guarantees etc	15,799	15,949	22,070
Undrawn credit commitments etc	11,629	11,733	9,707
Other adjustments	(2,709)	(2,280)	(2,533)
Total	181,140	185,091	175,916
T1 capital - current (transitional rules)	11,748	11,227	10,520
T1 capital - fully loaded	11,748	11,185	10,566
Leverage ratio (%) - current (transitional rules)	6.5	6.1	6.0
Leverage ratio (%) - fully loaded	6.5	6.0	6.0

31 Mar 2023	Activity	Share capital (DKKm)	Equity (DKKm)	Profit/(Loss) (DKKm)	Ownership share (%)
Note 28					
Group holdings and enterprises					
Sydbank A/S		DKK	584		
Consolidated subsidiaries					
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	11	31	100
Syd Administration A/S, Aabenraa	Invt & admin.	DKK	300	2,069	100
Syd Fund Management A/S, Aabenraa	Administration	DKK	100	104	67
Held for sale					
Green Team Group A/S, Sønder Omme*	Wholesale	DKK	101	4	(24)
Holdings in associates					
Foreningen Bankdata, Fredericia*	IT	DKK	472	461	10
Komplementarselskabet Core Property Management A/S, Copenhagen*	Real property	DKK	1	1	0
Core Property Management P/S, Copenhagen*	Real property	DKK	5	50	36

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

Management Statement

We have reviewed and approved the Interim Report – Q1 2023 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 consolidated financial statements are prepared in compliance with Danish disclosure requirements for listed financial companies.

The Interim Report has not been audited or reviewed. However the Bank’s external auditor has conducted a verification of profit for the period, including audit procedures consistent with the requirements as regards a review and has thus verified that the conditions for ongoing recognition of profit for the period in CET1 capital were met.

In our opinion the interim financial statements give a true and fair view of the Group’s assets, equity and liabilities and financial position at 31 March 2023 and of the results of the Group’s operations and consolidated cash flows for the period 1 January – 31 March 2023.

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

Aabenraa, 3 May 2023

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

Ellen Trane Nørby

Jarl Oxlund

Gitte Poulsen

Susanne Schou

Jon Stefansson

Jørn Krogh Sørensen

Pia Wrang

Supplementary Information

Financial calendar

In 2023 the Group's preliminary announcement of financial statements will be released as follows:

- Interim Report – First Half 2023
23 August 2023
- Interim Report – Q1-Q3 2023
1 November 2023

Sydbank contacts

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Relevant links

sydbank.dk
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For further information reference is made to Sydbank's 2022 Annual Report at sydbank.com