



2015 Annual Report

Sydbank Group

Sydbank



Sydbank's 2015 Annual Report

Improved credit quality, costs still under control as well as stable core income ensure a record dividend for Sydbank's shareholders and a new share buyback programme of DKK 350m, bringing total distribution concerning 2015 to 100% of profit for the year after tax.

The result for 2015 is the best since 2007 and can be attributed to lower impairment charges as well as a tight rein on costs. The result enables Sydbank to distribute a record high dividend to the Bank's shareholders while at the same time launching a new share buyback programme.

In connection with the financial statements, CEO Karen Frøsig comments:

- 2015 saw a high level of activity. We have implemented a large number of changes to develop the Bank's profitability – for instance the introduction of our loyalty programme, Sydbank Favorit. At the same time it was a challenging year to run a bank given the negative interest rate environment and fierce competition. Therefore it is rewarding that in spite of this we have delivered the best result since 2007.

She elaborates:

- In 2015 we focused extensively on improving our credit quality since this, together with continued tight cost control, forms the cornerstone of ensuring high profitability and consequently a strong market position for Sydbank. Therefore it is satisfying that impairment charges for loans and advances were significantly reduced in 2015.

The targets in the plan to increase profitability to reduce costs (core earnings) by DKK 200m as well as to achieve a decline in impairment charges for bank loans and advances by the beginning of 2016 have been met. Achieving the target of improving core income by DKK 200m was hampered by the negative interest rate environment which was a consequence of the pressure on DKK in January 2015.

2015 highlights

- Core income remains unchanged.
- Trading income has gone up by 10%.
- Unchanged costs (core earnings) apart from the effect of the acquisition of Sydinvest Administration A/S.

- Impairment charges for loans and advances have declined by 55%.
- Core earnings have improved by DKK 364m to DKK 1,553m.
- Profit before tax rose to DKK 1,473m in 2015 compared to DKK 1,329m in 2014.
- Sydbank recorded a growth in loans and advances of DKK 5.8bn in 2015. Growth in deposits amounted to DKK 6.0bn during the same period.
- Return on shareholders' equity before and after tax constitutes 13.0% and 10.1%, respectively, against 12.3% and 9.8% in 2014. Earnings per share has increased from DKK 14.3 to DKK 15.8.

Outlook for 2016

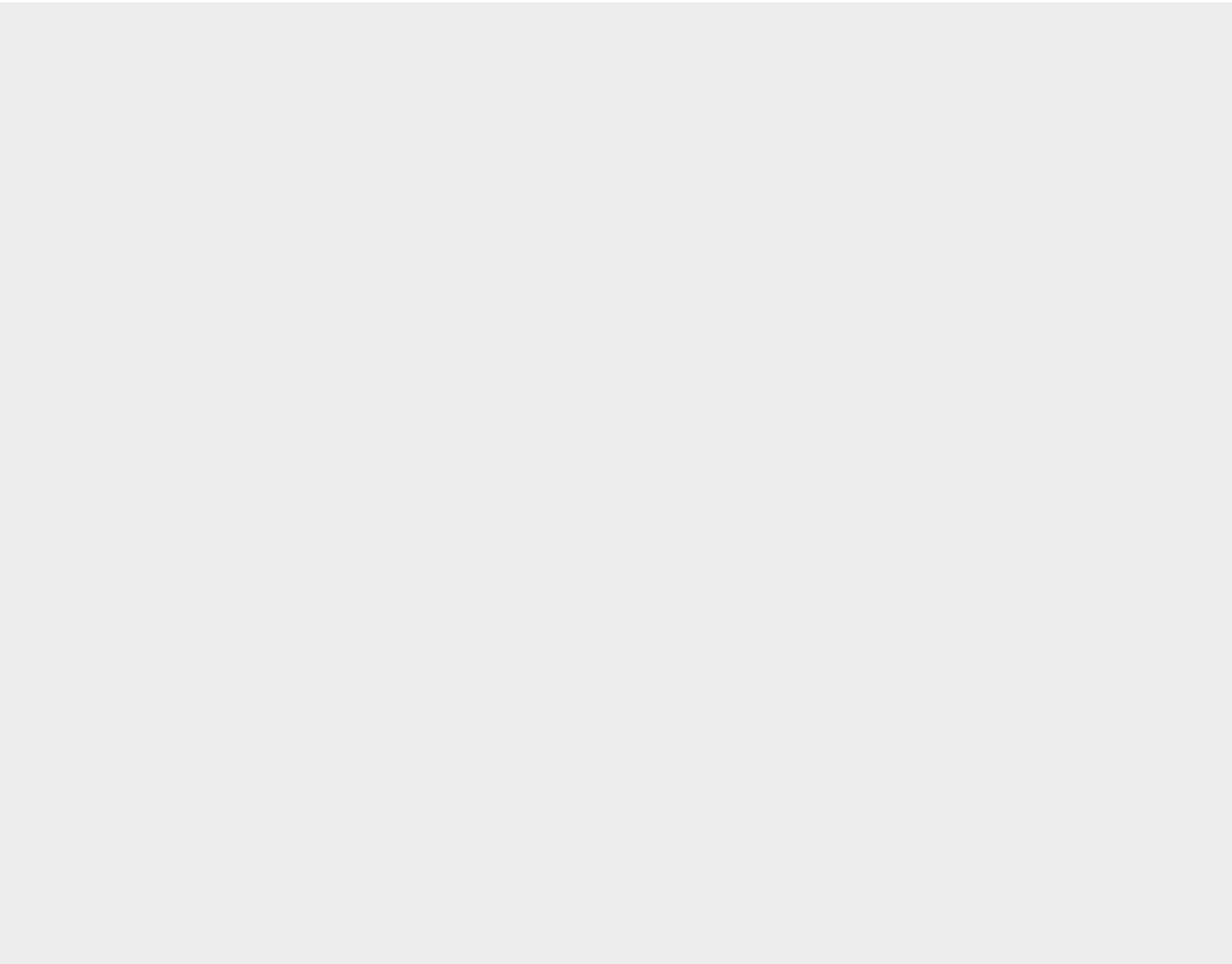
Limited economic growth is projected for the Danish economy in 2016.

Based on the level of interest rates at the beginning of 2016, core income is expected to remain unchanged as a result of the measures implemented and despite continued fierce competition.

Trading income is projected to remain unchanged relative to income in 2015 but is dependent on financial market developments.

In spite of the general pay rises agreed for the financial sector of 1.80% and a payroll tax increase of 1.40%, costs (core earnings) are expected to decrease as a result of the measures implemented and the discontinuation of payments to the deposit guarantee scheme.

Lower impairment charges are forecast for 2016. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.



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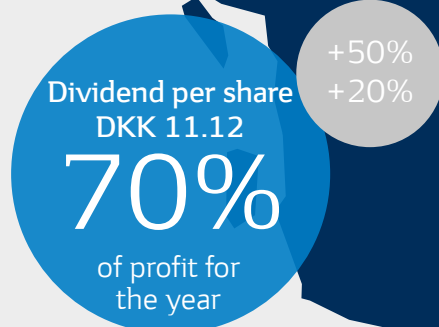
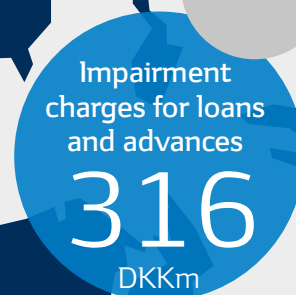
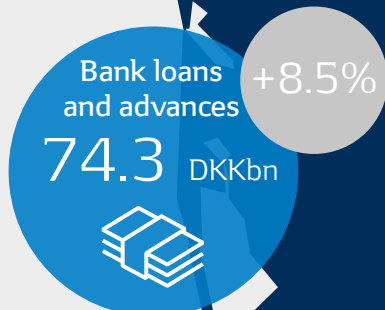
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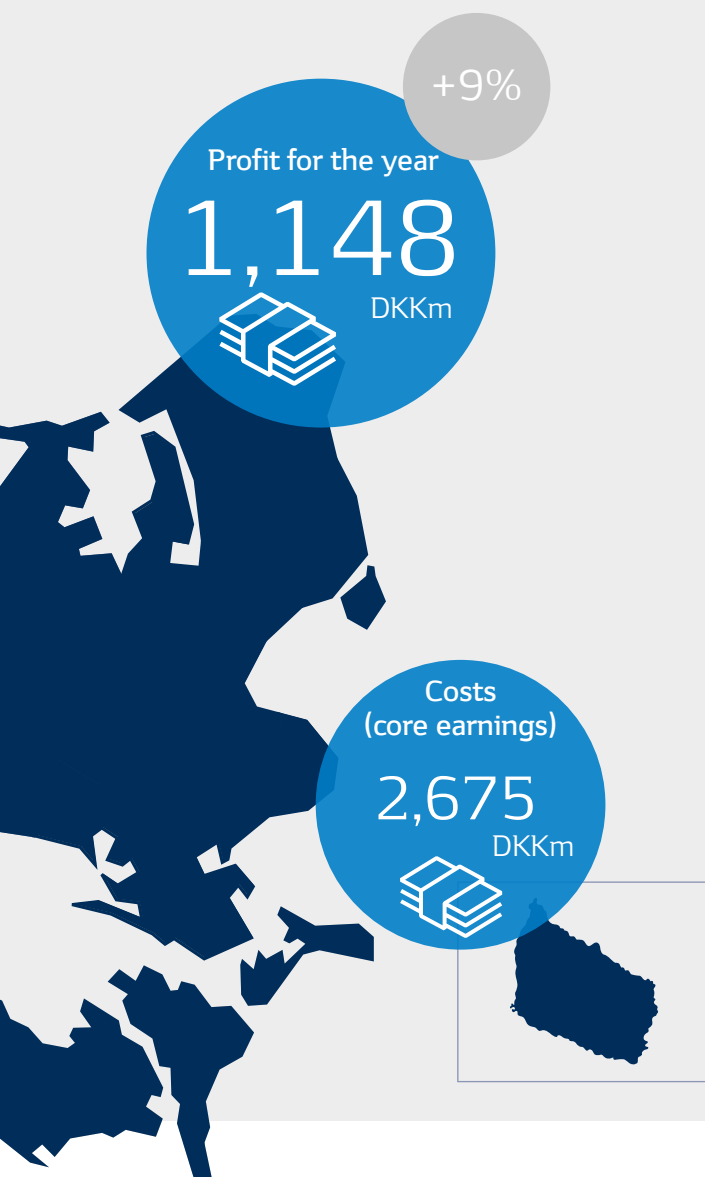
The 2015 Annual Report is available in Danish at sydbank.dk/regnskab and in English at sydbank.com.
In case of doubt the Danish version will apply.

Improved credit quality ensures record dividend to shareholders and new share buyback programme

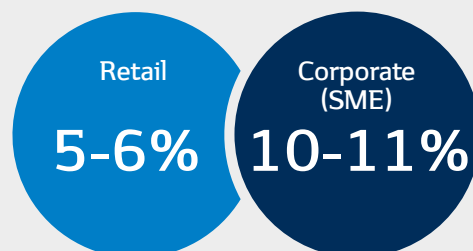


Sydbank 2015

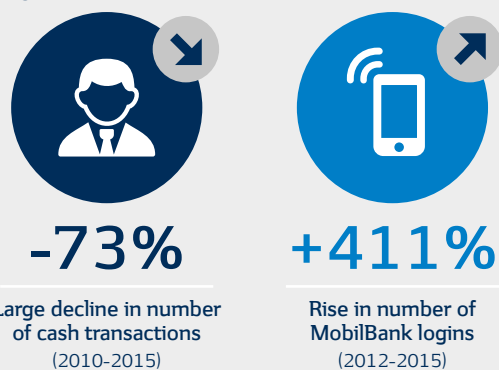
– in numbers



Market shares



Changes in how clients use the Bank



Record dividend to the Bank's shareholders



Sydbank will distribute a dividend of 70% (DKK 11.12 per share) of profit for the year after tax.

Customer Services

Open 8am-8pm
– short response times



The average time to answer the phone at Customer Services was 15 seconds on weekdays and 30 seconds at weekends in 2015.

Group Financial Highlights

	2015	2014	Index 15/14	2013	2012	2011
Income statement (DKK m)						
Core income	4,329	4,319	100	4,058	4,229	4,080
Trading income	215	196	110	229	323	167
Total income	4,544	4,515	101	4,287	4,552	4,247
Costs, core earnings	2,675	2,619	102	2,514	2,482	2,463
Core earnings before impairment	1,869	1,896	99	1,773	2,070	1,784
Impairment of loans and advances etc	316	707	45	1,861	1,748	1,195
Core earnings	1,553	1,189	131	(88)	322	589
Investment portfolio earnings	(80)	76	-	319	397	(15)
Profit before non-recurring items	1,473	1,265	116	231	719	574
Non-recurring items, net	-	64	-	(60)	(95)	(273)
Profit before tax	1,473	1,329	111	171	624	301
Tax	325	277	117	(16)	157	113
Profit for the year	1,148	1,052	109	187	467	188
Balance sheet highlights (DKK bn)						
Loans and advances at amortised cost	74.3	68.5	108	66.6	68.2	68.8
Loans and advances at fair value	10.2	6.9	148	4.9	6.1	7.7
Deposits and other debt	79.9	73.9	108	70.0	65.7	66.7
Bonds issued at amortised cost	3.7	3.7	100	6.5	4.0	7.5
Subordinated capital	2.1	1.4	150	1.8	1.4	2.1
Shareholders' equity	11.4	11.3	101	10.2	10.0	9.6
Total assets	142.7	152.3	94	147.9	152.7	153.4
Financial ratios per share (DKK per share of DKK 10)						
EPS Basic	15.8	14.3		2.5	6.4	2.6
EPS Diluted	15.8	14.3		2.5	6.4	2.6
Share price at year-end	221.8	190.2		144.0	99.7	90.1
Book value	160.2	154.2		139.7	137.6	131.1
Share price/book value	1.38	1.23		1.03	0.72	0.69
Average number of shares outstanding (in millions)	72.5	73.3		73.4	73.1	73.2
Proposed dividend	11.12	7.08		-	-	-
Other financial ratios and key figures						
Common Equity Tier 1 capital ratio	14.5	13.9		13.4	13.8	13.4
Tier 1 capital ratio	15.9	15.5		15.3	15.6	15.2
Capital ratio	17.6	16.0		15.7	15.9	16.1
Pre-tax profit as % of average shareholders' equity	13.0	12.3		1.7	6.4	3.1
Post-tax profit as % of average shareholders' equity	10.1	9.8		1.8	4.8	2.0
Costs (core earnings) as % of total income	58.9	58.0		58.6	54.5	58.0
Return on assets (%)	0.78	0.70		0.12	0.31	0.12
Interest rate risk	2.8	0.0		0.6	1.8	0.9
Foreign exchange position	2.2	1.8		2.1	0.9	1.6
Foreign exchange risk	0.0	0.0		0.0	0.0	0.1
Loans and advances relative to deposits	0.8	0.8		0.8	0.9	0.9
Loans and advances relative to shareholders' equity	6.5	6.1		6.5	6.8	7.2
Growth in loans and advances for the year	8.5	2.8		(2.3)	(1.0)	(5.7)
Excess cover relative to statutory liquidity requirements	166.8	142.2		179.8	127.4	148.7
Total large exposures	0.0	0.0		25.8	21.6	26.3
Accumulated impairment ratio	4.7	5.1		5.4	3.8	2.3
Impairment ratio for the year	0.4	0.8		2.3	2.2	1.5
Number of full-time staff at year-end	2,044	2,101	97	2,231	2,132	2,152

Financial ratio definitions on [page 89](#).

Summary

Improved credit quality, costs still under control as well as stable core income ensure a record dividend for shareholders and a new share buyback programme of DKK 350m, bringing total distribution concerning 2015 to 100% of profit for the year after tax.

Sydbank's 2015 financial statements show a profit before tax of DKK 1,473m compared with DKK 1,329m in 2014. The improvement is due to lower impairment charges. Profit before tax equals a return of 13.0% p.a. on average shareholders' equity. The profit is in line with the expectations presented in the 2014 financial statements.

Profit for the year represents DKK 1,148m against DKK 1,052m in 2014, equal to a return on average shareholders' equity of 10.1% after tax. This is the best result since 2007.

Follow-up on the strategy "Increased profitability"

The plan to increase the Bank's profitability has progressed as planned. Based on Sydbank's high customer satisfaction, the plan was to increase profitability by the beginning of 2016.

The targets of reducing costs (core earnings) by DKK 200m as well as achieving a decline in impairment charges for bank loans and advances have been met. Achieving the target of improving core income by DKK 200m was hampered by the negative interest rate environment which was a consequence of the pressure on DKK in January 2015.

Blue growth – new 3-year plan

Based on the plan to increase the Bank's profitability that ended at the beginning of 2016, the Bank has taken steps to continue this positive development in the coming 3-year period from 2016 to 2018. The strategy for this 3-year period is named "Blue growth".

Status – targets

Target	Objective	Status at 31 Dec 2015	Comment
Return on shareholders' equity after tax	Over 12%*	10.1%	Progressing as planned
Customer satisfaction – Corporate	Top 3**	3rd – Aalund	Met in 2015
Customer satisfaction – Retail	Top 3**	2nd – EPSI	Met in 2015
Common Equity Tier 1 capital ratio	Around 13.5%	14.5%	Met from Q3 2013
Capital ratio	Around 17.0%	17.6%	Met from Q1 2015
Dividend	30-50% of profit for the year after tax	50+20% of profit for the year after tax (proposed)	Met in 2015 (proposed dividend)

* or top 3 ranking among the 6 largest banks ** among the 6 largest banks



Blue growth – financial targets

- Realise a return on shareholders' equity of a minimum of 12% after tax or be in the top 3 of the 6 largest banks
- Maintain top 3 ranking among the 6 largest banks in terms of customer satisfaction.

Blue growth – expected means

- Increase core income by a minimum of DKK 50m each year
- Reduce costs by DKK 50m annually – in 2015 prices
- Average impairment charges of a maximum of 50 basis points during one economic cycle.

Summary

Results for 2015

As a result of the negative interest rate environment combined with fierce competition in the sector, the Group's net interest income remains under pressure. Net interest income has decreased by DKK 117m or 5% to DKK 2,404m despite a rise in bank loans and advances of 8.5%. Core income has risen by DKK 10m or 0.2% to DKK 4,329m. Growth in income from mortgage credit, remortgaging and loan fees as well as commission and brokerage income have offset the decline in net interest income.

Trading income has increased by DKK 19m or 10% compared with 2014.

Total income has risen by DKK 29m or 0.6% compared with 2014.

At Sydbank costs (core earnings) are a constant focus area and in 2015 the Bank maintained tight control of costs (core earnings). Costs (core earnings) have grown by DKK 56m as a result of the acquisition of Sydinvest Administration A/S at 1 April 2015.

The Group's impairment charges for loans and advances:

- have declined by DKK 391m to DKK 316m compared with 2014
- represent DKK 44m in Q4 2015 including collective impairment charges of DKK 50m regarding agricultural exposures.

Core earnings have increased by DKK 364m to DKK 1,553m compared with DKK 1,189m in 2014. The improvement is primarily attributable to the decrease in impairment charges for loans and advances.

Together the Group's position-taking and liquidity handling generated negative investment portfolio earnings of DKK 80m in 2015 compared with positive investment portfolio earnings of DKK 76m in 2014. Earnings are adversely affected by turmoil in fixed income markets. High volatility and the adjustment to the LCR regulations have resulted in widening credit spreads on mortgage bonds.

Profit before tax rose to DKK 1,473m in 2015 compared to DKK 1,329m in 2014. Tax has been calculated at DKK 325m. Profit for the year amounts to DKK 1,148m compared with DKK 1,052m in 2014. This is the best result since 2007.

During the year Sydbank recorded an increase in bank loans and advances of DKK 5.8bn. This is satisfactory given the highly competitive market. Growth in deposits amounted to DKK 6.0bn during the same period.

Return on shareholders' equity before and after tax constitutes 13.0% and 10.1%, respectively, against 12.3% and 9.8% in 2014.

Earnings per share has increased from DKK 14.3 to DKK 15.8.

During the year shareholders' equity grew by DKK 116m to DKK 11,427m.

Less the proposed dividend, the Common Equity Tier 1 capital ratio and the capital ratio stand at 14.5% and 17.6%, respectively, at year-end 2015 compared to 13.9% and 16.0% at year-end 2014.

At 31 December 2015 the individual solvency need represented 9.7% (2014: 10.4%).

SIFI

Sydbank has been designated as a SIFI (systemically important financial institution) in Denmark. As a result the Bank is subject to an additional buffer requirement of 0.2% as regards Common Equity Tier 1 capital in 2015. The requirement will gradually rise to 1% in 2019.

Capital targets

The Group's capital targets are a Common Equity Tier 1 capital ratio of around 13.5% and a capital ratio of around 17.0%.

Proposed dividend for 2015

The Board of Directors proposes – in compliance with the Bank's dividend policy – that a dividend of DKK 7.94 per share, equal to 50% of the Group's profit after tax, be distributed and that DKK 10m be donated to the sponsorship fund Sydbank Fonden.

In addition to the ordinary dividend, the Board of Directors recommends – on the basis of improved income and a strong capital base – that further capital be repaid to shareholders. Therefore the Board of Directors proposes that an additional dividend of DKK 3.18 per share, equal to 20% of the Group's profit after tax, be distributed. Proposed dividend for 2015 totals DKK 11.12 per share.

Record dividend to the Bank's shareholders



Sydbank will distribute a dividend of 70% (DKK 11.12 per share) of profit for the year after tax.

No dividend will be distributed as regards the shares acquired in connection with the share buyback programme completed in 2015.

Share buyback in 2016

Following distribution of the proposed dividend, the capital ratios will remain above the capital targets. As a result the Board of Directors has resolved to implement a share buyback totalling DKK 350m in 2016.

The Group will continue to be highly capitalised after the proposed dividend distribution and the share buyback. The strong capital base will be maintained even where excess capital has been paid to shareholders.

Outlook for 2016

Limited economic growth is projected for the Danish economy in 2016.

Based on the level of interest rates at the beginning of 2016, core income is expected to remain unchanged as a result of the measures implemented and despite continued fierce competition.

Trading income is projected to remain unchanged relative to income in 2015 but is dependent on financial market developments.

In spite of the general pay rises agreed for the financial sector of 1.80% and a payroll tax increase of 1.40%, costs (core earnings) are expected to decrease as a result of the measures implemented and the discontinuation of payments to the deposit guarantee scheme.

Lower impairment charges are forecast for 2016. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

Performance in 2015

The Sydbank Group has recorded a profit before tax of DKK 1,473m (2014: DKK 1,329m). The performance meets the expectations at the beginning of the year. Profit before tax equals a return of 13.0% p.a. on average shareholders' equity.

Profit for the year represents DKK 1,148m against DKK 1,052m in 2014, equal to a return on average shareholders' equity of 10.1% after tax. This is the best result since 2007.

The financial statements are characterised by the following:

2015

- Unchanged core income
- A 10% rise in trading income
- Unchanged costs (core earnings) apart from the effect of the acquisition of Sydinvest Administration A/S
- A 55% decline in impairment charges for loans and advances
- A rise in core earnings of DKK 364m to DKK 1,553m
- Negative investment portfolio earnings of DKK 80m
- Bank loans and advances of DKK 74.3bn (2014: DKK 68.5bn)
- Deposits of DKK 79.9bn (2014: DKK 73.9bn)
- A capital ratio of 17.6%, including a Common Equity Tier 1 capital ratio of 14.5%
- An individual solvency need of 9.7%
- A proposed dividend of DKK 11.12 per share.

Q4

- Impairment charges for loans and advances represent DKK 44m including collective impairment charges of DKK 50m as regards agricultural exposures
- Profit for the period amounts to DKK 316m.

Income statement

Group (DKKm)	2015	2014
Core income	4,329	4,319
Trading income	215	196
Total income	4,544	4,515
Costs, core earnings	2,675	2,619
Core earnings before impairment	1,869	1,896
Impairment of loans and advances etc	316	707
Core earnings	1,553	1,189
Investment portfolio earnings	(80)	76
Profit before non-recurring items	1,473	1,265
Non-recurring items, net	-	64
Profit before tax	1,473	1,329
Tax	325	277
Profit for the year	1,148	1,052

Core income

Total core income has risen by DKK 10m to DKK 4,329m.

Net interest has decreased by DKK 117m to DKK 2,404m despite a rise in bank loans and advances of 8.5%. As a result of the negative interest rate environment combined with fierce competition in the sector, the Group's net interest income remains under pressure.

Net income from the cooperation with Totalkredit represents DKK 294m (2014: DKK 260m) after set off of loss of DKK 32m (2014: DKK 34m). The cooperation with DLR Kredit has generated an income of DKK 79m (2014: DKK 88m). Compared to 2014 total mortgage credit income has gone up by DKK 17m to DKK 376m – an increase of 5%.

Income from remortgaging and loan fees has gone up by DKK 32m to DKK 159m compared to 2014 – a rise of 25%.

Commission and brokerage income has increased by DKK 56m to DKK 407m compared with 2014 – a rise of 16%.

The remaining income components have risen by DKK 22m compared to 2014, equal to 2%.

Core income

Group (DKKm)	2015	2014
Net interest etc	2,404	2,521
Mortgage credit	376	359
Payment services	207	219
Remortgaging and loan fees	159	127
Commission and brokerage	407	351
Commission etc investment funds and pooled pension plans	341	339
Asset management	183	174
Custody account fees	75	80
Other operating income	177	149
Total	4,329	4,319

Trading income

Compared with 2014 trading income has climbed by DKK 19m to DKK 215m and is composed as follows in terms of business units:

Trading income

Group (DKKm)	2015	2014
Fixed Income	74	58
Equities	83	83
Money Market and Foreign Exchange	58	55
Total	215	196

The increase is primarily attributable to Fixed Income. High activity as regards trading in mortgage bonds, shares as well as foreign exchange characterised the beginning of 2015. Activity for the remainder of the year was at a more normal level. In Q2 and Q3 income in Fixed Income was adversely affected by market turmoil. The credit spreads on bonds not classified as Level 1 in the LCR calculation have widened, which has resulted in a negative trading portfolio return.

Equities has generated an income of DKK 83m.

Finally Money Market and Foreign Exchange has recorded a rise of DKK 3m to DKK 58m.

Costs and depreciation

The Group's costs and depreciation totalled DKK 2,682m, equal to a decrease of DKK 25m compared to 2014.

Costs and depreciation

Group (DKKm)	2015	2014
Staff costs	1,552	1,564
Other administrative expenses	903	933
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	97	96
Other operating expenses	130	114
Total	2,682	2,707
Distributed as follows:		
Costs, core earnings	2,675	2,619
Costs, investment portfolio earnings	7	7
Non-recurring costs	-	81

Costs (core earnings) represent DKK 2,675m compared with DKK 2,619m in 2014. This development can be attributed to the acquisition of Sydinvest Administration as well as contributions to the new resolution fund.

The development in staff costs is impacted by:

- the takeover of 28 employees from Sydinvest Administration on 1 April 2015
- a reduction of 85 employees during the year
- a 1.75% pay increase in 2015 relating to collective agreements
- a payroll tax increase of 0.80% in 2015.

At year-end 2015 the Group's staff numbered 2,044 (full-time equivalent).

As a consequence of the Bank's ongoing adjustment of its service concept and its efforts to reduce costs (core earnings), 11 small branches were amalgamated during the year. This brings the number of branches to 71 in Denmark and three in Germany.

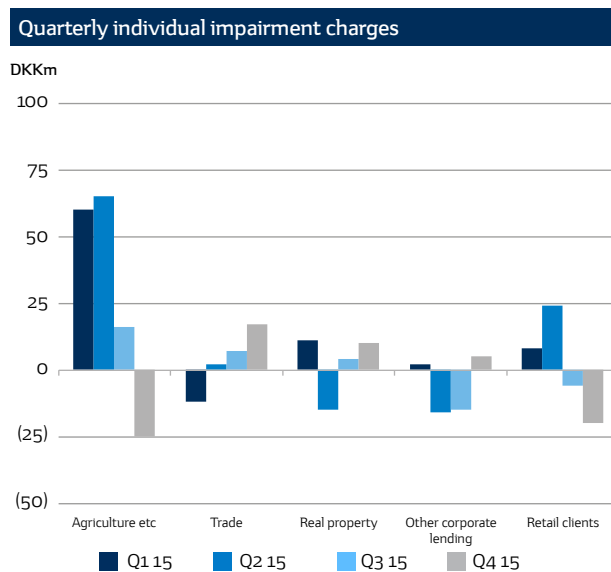
Core earnings before impairment of loans and advances

Core earnings before impairment charges for loans and advances represent DKK 1,869m – a decrease of DKK 27m compared with 2014.

Impairment of loans and advances etc

Impairment charges for loans and advances represent DKK 316m against DKK 707m in 2014, ie a reduction of DKK 391m.

The chart below shows the quarterly individual impairment charges for bank loans and advances as regards agriculture etc, trade, real property, other corporate lending as well as retail clients.



Performance in 2015

In Q4 a net reversal of impairment charges regarding agricultural exposures was recorded as a consequence of lower drawings on credit facilities. As regards impairment charges relating to the other main groups, some quarters saw net impairment charges and some quarters saw net reversals of impairment charges. The overall picture shows a declining trend in 2015.

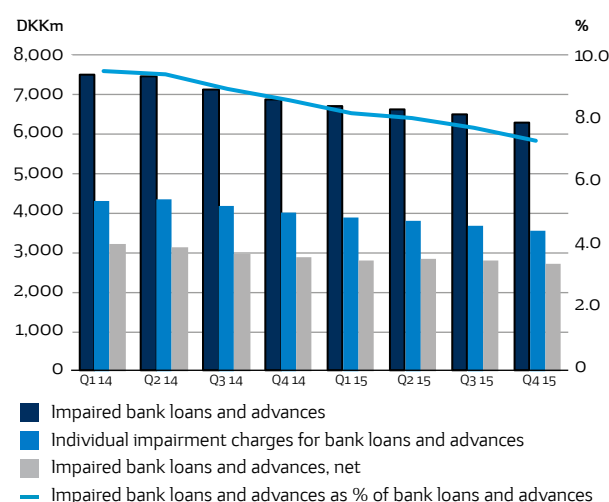
Collective impairment charges were negatively affected by collective impairment charges regarding agricultural exposures of DKK 50m in Q3 and in Q4 2015.

Throughout 2015 the agricultural sector continued to be in a challenging financial situation due to an overall large debt burden in the sector as well as low settlement prices of farming products – mainly milk and pork.

At year-end 2015 the impairment ratio for the year represents 0.40% relative to bank loans and advances and 0.36% relative to bank loans and advances and guarantees. At year-end 2015 accumulated impairment and provisions amount to DKK 4,182m (2014: DKK 4,412m).

Impairment charges for the year for loans and advances etc of DKK 316m (2014: DKK 707m) consist of DKK 116m (2014: DKK 76m) regarding agriculture, DKK 14m (2014: DKK 86m) regarding trade, DKK 10m (2014: DKK 161m) regarding real property, minus DKK 24m (2014: DKK 187m) regarding other corporate lending and DKK 6m (2014: DKK 33m) regarding retail clients as well as DKK 194m (2014: DKK 164m) regarding collective impairment charges. DKK 100m of the collective impairment charges is attributable to agriculture. Reference is made to the separate publication Credit Risk 2015 for further elaboration.

Individually impaired bank loans and advances



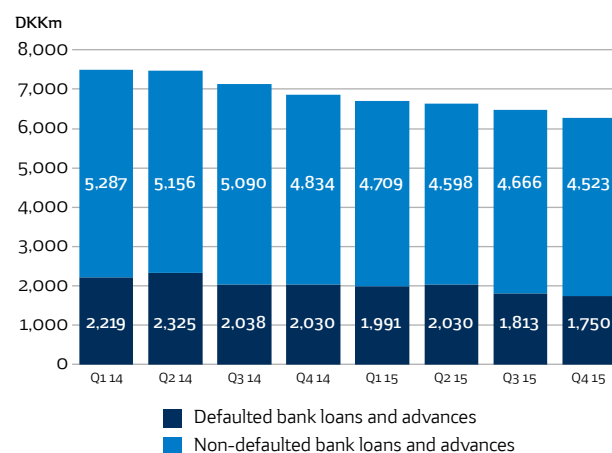
During the year impaired bank loans and advances before impairment charges declined by DKK 591m to DKK 6,273m (2014: DKK 6,864m). During the same period individually impaired bank loans and advances after impairment charges decreased by DKK 164m, equal to 6%. Impairment charges for bank loans and advances subject to individual impairment represent 56.9% (2014: 58.2%).

Individually impaired bank loans and advances

Group (DKKm)	2015	2014
Non-defaulted bank loans and advances	4,523	4,834
Defaulted bank loans and advances	1,750	2,030
Impaired bank loans and advances	6,273	6,864
Impairment charges for bank loans and advances subject to individual impairment	3,569	3,996
Impaired bank loans and advances after impairment charges	2,704	2,868
Impaired bank loans and advances as % of bank loans and advances before impairment charges	8.0	9.4
Impairment charges as % of bank loans and advances before impairment charges	4.6	5.5
Impaired as % of impaired bank loans and advances	56.9	58.2
Impairment charges as % of defaulted bank loans and advances	203.9	196.8

The figure below shows the breakdown of impaired bank loans and advances in terms of defaulted bank loans and advances and non-defaulted bank loans and advances. The bulk of impaired bank loans and advances concern non-defaulted bank loans and advances.

Breakdown of impaired bank loans and advances



Defaulted bank loans and advances declined by DKK 280m in 2015 and non-defaulted bank loans and advances decreased by DKK 311m.

Core earnings

Core earnings for 2015 represent DKK 1,553m – an increase of DKK 364m compared with 2014.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated negative earnings of DKK 80m in 2015 compared with positive earnings of DKK 76m in 2014.

Investment portfolio earnings

Group (DKKm)	2015	2014
Position-taking	(116)	75
Liquidity generation and liquidity reserves	41	23
Strategic positions	2	(15)
Costs	(7)	(7)
Total	(80)	76

The negative result in 2015 is a consequence of the turmoil in fixed income markets as well as the adjustment to the new LCR regulations. The high volatility has resulted in widening credit spreads on mortgage bonds. The loss results from mortgage bond yields having risen more than the interest rates of hedging transactions.

The interest rate risk at year-end is positive – as a result the Group will record a loss from an interest rate increase.

Margin expenses as regards the Group's senior issues are included under liquidity generation and liquidity reserves and represent DKK 29m in 2015 compared to DKK 41m in 2014.

Non-recurring items, net

Non-recurring items represent DKK 0m (2014: DKK 64m).

Profit for the year

Profit before tax amounts to DKK 1,473m (2014: DKK 1,329m). Tax represents DKK 325m (2014: DKK 277m), equivalent to an effective tax rate of 22.1%. Profit for the year amounts to DKK 1,148m – the best result since 2007.

Return

Return on shareholders' equity before and after tax constitutes 13.0% and 10.1%, respectively, against 12.3% and 9.8% in 2014. Earnings per share has increased from DKK 14.3 to DKK 15.8.

Sydbank – the parent

The Bank's total income before costs and impairment charges for loans and advances represents DKK 4,385m (2014: DKK 4,731m). The income includes the consolidated loss on holdings in associates and subsidiaries of DKK 23m (2014: profit of DKK 7m), including a loss on subsidiaries after tax of DKK 15m (2014: loss of DKK 3m).

Total costs including non-recurring costs of DKK 0m (2014: DKK 81m) constitute DKK 2,617m (2014: DKK 2,720m). An impairment charge of DKK 316m (2014: DKK 707m) concerning bank loans and advances has been recorded.

Pre-tax profit amounts to DKK 1,457m (2014: DKK 1,319m).

Subsidiaries

Profit after tax of the subsidiaries represents minus DKK 15m (2014: DKK 16m).

Group – Q4 2015

The Group's profit before tax for the quarter represents DKK 385m.

Compared with Q3 2015 profit before tax shows:

- a core income of DKK 1,040m (Q3: DKK 1,062m)
- a trading income of DKK 48m (Q3: DKK 15m)
- a rise in costs of DKK 31m
- a decline in impairment charges for loans and advances of DKK 11m
- investment portfolio earnings of DKK 7m (Q3: DKK 8m).

Tax represents DKK 69m and profit for the period amounts to DKK 316m in Q4 2015.

Performance in 2015

Profit for the period

Group (DKKbn)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Core income	1,040	1,062	1,112	1,115	1,094
Trading income	48	15	34	118	(9)
Total income	1,088	1,077	1,146	1,233	1,085
Costs, core earnings	666	635	685	689	633
Core earnings before impairment	422	442	461	544	452
Impairment of loans and advances etc	44	55	101	116	148
Core earnings	378	387	360	428	304
Investment portfolio earnings	7	8	(64)	(31)	(5)
Profit before non-recurring items	385	395	296	397	299
Non-recurring items, net	-	-	-	-	(20)
Profit before tax	385	395	296	397	279
Tax	69	93	70	93	55
Profit for the period	316	302	226	304	224

Total assets

The Group's total assets made up DKK 142.7bn at year-end 2015 against DKK 152.3bn at year-end 2014.

Assets

Group – year-end (DKKbn)	2015	2014
Amounts owed by credit institutions etc	5.2	10.2
Loans and advances at fair value (reverse transactions)	10.2	6.9
Loans and advances at amortised cost (bank loans and advances)	74.3	68.5
Securities and holdings etc	28.3	37.9
Assets related to pooled plans	12.0	10.8
Other assets etc	12.7	18.0
Total	142.7	152.3

The Group's bank loans and advances total DKK 74.3bn. Compared to 2014 this constitutes an increase of DKK 5.8bn or 8.5%. Corporate lending has gone up by DKK 1.9bn, retail lending by DKK 3.9bn, and mortgage loans to the retail segment have risen by DKK 4.8bn.

Shareholders' equity and liabilities

Group – year-end (DKKbn)	2015	2014
Amounts owed to credit institutions etc	17.8	32.1
Deposits and other debt	79.9	73.9
Deposits in pooled plans	12.0	10.8
Bonds issued	3.7	3.7
Other liabilities etc	15.5	18.8
Provisions	0.3	0.3
Subordinated capital	2.1	1.4
Shareholders' equity	11.4	11.3
Total	142.7	152.3

The Group's deposits make up DKK 79.9bn. Compared to 2014 this constitutes an increase of DKK 6.0bn or 8.1%. The composition of deposits has been strengthened via a rise in demand deposits of DKK 3.2bn, an increase in deposits at notice of DKK 5.9bn, a decline in time deposits of DKK 2.8bn and a decrease of DKK 0.3bn regarding special categories of deposits.

Subordinated capital

The Bank issued supplementary capital amounting to EUR 100m on 5 March 2015. The issue meets the conditions applying to Tier 2 capital. It is a 12-year issue with a first call option after seven years.

The Sydbank share

Number	2015	2014
Average number of shares outstanding	72,501,307	73,310,052
Number of shares outstanding at year-end	71,334,716	73,355,021
Number of shares issued at year-end	74,249,999	74,249,999

Share capital

Share capital is unchanged at DKK 742,499,990 at year-end 2015. The number of shares outstanding has decreased from 73,355,021 (98.79%) at the end of 2014 to 71,334,716 (96.07%) at the end of 2015. The book value of the Sydbank share represents 160.2 (2014: 154.2). At year-end 2015 the closing price of the Sydbank share stood at 221.8 and share price/book value at 1.38.

Shareholders' equity

At year-end 2015 shareholders' equity constitutes DKK 11,427m – an increase of DKK 116m since the beginning of the year. The change comprises an addition from profit for the year of DKK 1,148m, net purchases of own shares of DKK 503m as well as dividend distribution etc of DKK 529m.

Capital

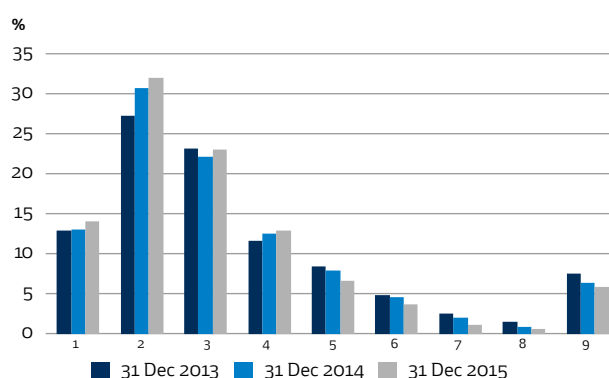
Since year-end 2014 risk-weighted assets have decreased by DKK 4.5bn to DKK 68.0bn. Credit risk has gone down by DKK 4.5bn despite a net increase in loans and advances and guarantees of DKK 2.5bn since year-end 2014. Market risk has risen by DKK 0.9bn mainly as a result of higher interest rate risk. Other exposures have dropped by DKK 0.9bn.

Risk-weighted assets

Group – year-end (DKKbn)	2015	2014
Credit risk	44.9	49.4
Market risk	8.9	8.0
Operational risk	8.2	8.6
Other exposures incl CVA	6.0	6.5
Total	68.0	72.5

The development in the breakdown by rating category from 2013 to 2015 appears below.

Gross exposure by rating category



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

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

Reference is made to the note on credit risk on [page 95](#) and the separate publication Credit Risk 2015.

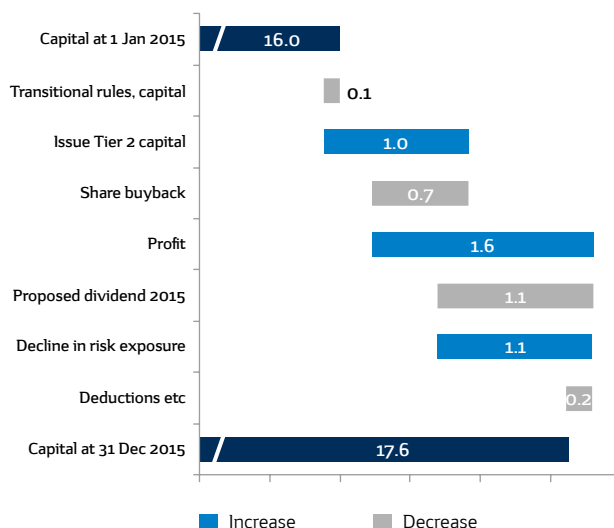
Solvency

Group – year-end (DKKm)	2015	2014
Risk-weighted assets	67,955	72,467
Common Equity Tier 1 capital	9,852	10,101
Tier 1 capital	10,825	11,209
Total capital	11,984	11,596
Common Equity Tier 1 capital ratio	14.5	13.9
Tier 1 capital ratio	15.9	15.5
Capital ratio	17.6	16.0

At year-end 2015 the Common Equity Tier 1 capital ratio and the capital ratio stand at 14.5% and 17.6%, respectively, compared to 13.9% and 16.0% at year-end 2014.

Performance in 2015

Capital ratio in 2015



In 2015 the capital ratio was positively affected by the issue of subordinated capital (+1.0 percentage point), profit for the year etc (+1.6 percentage points) and the decline in credit risk (+1.1 percentage points) and negatively affected by the proposed dividend (-1.1 percentage points), the completed share buyback programme (-0.7 percentage points) and other elements (-0.3 percentage points).

At 31 December 2015 the individual solvency need represented 9.7% (2014: 10.4%).

Solvency of the parent

At year-end 2015 the Common Equity Tier 1 capital ratio and the capital ratio stand at 14.1% and 17.2%, respectively.

Capital policy

The Group's capital policy consistently supports the Group's strategy and at the same time takes into account Sydbank's status as a SIFI as well as full implementation of capital regulations. The Group's targets are a Common Equity Tier 1 capital ratio of around 13.5% and a capital ratio of around 17.0%. The capital targets have been set to ensure that the Group complies with all capital requirements, including buffer requirements, once these have been fully implemented.

Reference is made to Capital Management on [page 20](#).

Dividend policy

The Group's dividend policy must contribute to creating long-term shareholder value. The objective is to distribute 30-50% of profit for the year after tax while taking into account growth plans and capital policy. Distribution will be effected via dividends and/or via share buybacks.

Interest rate risk etc

The Group's interest rate risk represents DKK 307m at 31 December 2015 (2014: minus DKK 4m). As a result the Group will record a loss from an interest rate increase.

The Group's exchange rate risk continues to be very low and its equity risk modest.

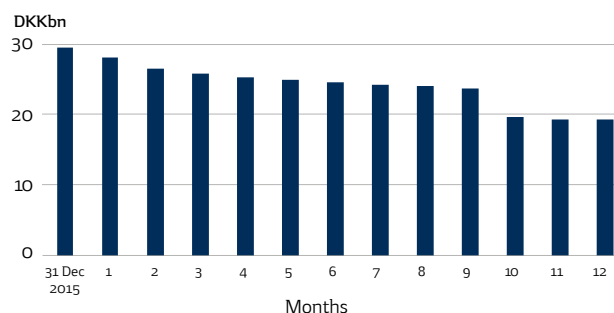
Funding and liquidity

The Group's liquidity measured under the 10% statutory requirement constitutes 26.7% at year-end 2015.

Sydbank has been designated as a SIFI in Denmark and has therefore had to meet the new liquidity coverage ratio (LCR) of 100% as of 1 October 2015. During 2015 Sydbank made gradual adjustments to its cash resources – increased its portfolio of Level 1A assets as well as expanded the Group's deposit base as regards retail and corporate clients. The Group's LCR constituted 144% at 31 December 2015.

The Group's liquidity is good. Moody's 12-month liquidity curve shows that the Group is able to withstand a situation in which access to capital markets is cut off for a period exceeding 12 months.

Moody's 12-month liquidity curve



Accounting estimates

Estimates in relation to the measurement of assets and liabilities are based on assumptions considered reasonable by management but which by their nature are uncertain. They may prove to be incomplete or inaccurate as a result of developments differing from projections in the external environment in which the Group operates or in other respects relating to clients or business relations.

Rating

Moody's most recent rating of Sydbank:

- Outlook: Stable
- Long-term deposit: A3
- Senior unsecured: Baa1
- Short-term deposit: P-2

Shareholders

In 2015 the Sydbank share yielded a return of 17% (2014: 32%) as a result of the increase in the share price during the year. Moreover dividend distribution represented DKK 7.08 per share. Consequently the total return in 2015 represented 20% (2014: 32%).

The Board of Directors recommends to the AGM that 50% of the Group's profit after tax, equal to a dividend of DKK 7.94 per share, be distributed and that DKK 10m be donated to the sponsorship fund Sydbank Fonden.

In addition to the ordinary dividend, the Board of Directors recommends – on the basis of improved income and a strong capital base – that further capital be repaid to shareholders. Therefore the Board of Directors proposes that an additional dividend of DKK 3.18 per share, equal to 20% of the Group's profit after tax, be distributed. Proposed dividend for 2015 totals DKK 11.12 per share.

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.

The calculations at year-end 2015 are shown below:

Supervisory Diamond benchmarks

Group	2015	2014
Sum of large exposures < 125%	0	0
Lending growth < 20% annually	9	3
Commercial property exposure < 25%	8	9
Funding ratio < 1	0.82	0.78
Excess cover relative to statutory liquidity requirements > 50%	167	142

At 31 December 2015 the Group as well as the parent comply with all the benchmarks of the Supervisory Diamond.

Leverage ratio

The Group calculates its leverage ratio in accordance with the regulation on prudential requirements for credit institutions and investment firms.

The leverage ratio expresses the Group's leverage and is defined as Tier 1 capital as a percentage of total unweighted exposure. According to this definition the Group's leverage ratio stood at 7.5% at 31 December 2015 (2014: 6.6%).

SIFI

Sydbank has been designated as a SIFI in Denmark and in 2015 there is an additional buffer requirement of 0.2% as regards Common Equity Tier 1 capital. The requirement will gradually rise to 1% in 2019. The intention is to bring Danish SIFI capital requirements on a par with the requirements in other comparable European countries. The level of the Danish SIFI capital requirements will be finally determined in 2017 at the latest on the basis of a comparison with the final requirements in the other countries.

Banking Recovery and Resolution Directive

The directive is intended to prevent bank failures and to establish the legal framework for the winding-up of distressed banks. 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 eligible liabilities (bail-in-able liabilities). The Danish FSA has been authorised to set the requirement for Sydbank.

Moreover a resolution fund is under establishment and 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. Sydbank's first contribution – covering one-twentieth of the total resolution fund – represented DKK 9m and was paid at year-end 2015.

Outlook for 2016

Limited economic growth is projected for the Danish economy in 2016.

Based on the level of interest rates at the beginning of 2016, core income is expected to remain unchanged as a result of the measures implemented and despite continued fierce competition.

Trading income is projected to remain unchanged relative to income in 2015 but is dependent on financial market developments.

In spite of the general pay rises agreed for the financial sector of 1.80% and a payroll tax increase of 1.40%, costs (core earnings) are expected to decrease as a result of the measures implemented and the discontinuation of payments to the deposit guarantee scheme.

Lower impairment charges are forecast for 2016. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

Capital Management

The Group's capital management ensures efficient deployment of capital relative to the Group's overall capital targets. The Group's risk profile is determined on the basis of the capital targets which ensure first and foremost that there is adequate capital to meet the Group's growth expectations and cover fluctuations in the risks assumed by the Group.

The Group applies internal ratings based approaches to manage the credit risk of the Group's corporate and retail client portfolios. The Group applies the advanced IRB approach as regards retail clients and the foundation IRB approach as regards corporate clients to determine the Group's capital requirements.

The Group applies the Standardised Approach to credit risk in relation to exposures to governments and credit institutions.

Further details, also concerning risk-weighted assets (RWA), capital information and ratios as regards capital, are found in [note 3](#).

The Group's capital management focuses on three capital elements: minimum capital, adequate total capital and total capital.

Minimum capital represents the necessary capital in compliance with CRR and adequate total capital is the Group's determination of the capital sufficient to protect depositors against loss under the prevailing economic conditions. The solvency need is defined as adequate total capital in percentage terms of risk-weighted assets.

The committees in the Group's risk organisation report directly to the Group Executive Management. The committees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risks. The committees ensure that the Bank's business units proactively carry out their operations and analyse identified risks. The Group's Chief Risk Officer is a member of all committees, see Risk Management on [page 94](#).

A risk assessment is carried out annually to determine the Group's risk profile. The Board of Directors considers the assessment and determines the adequate total capital and the individual solvency need in continuation of this assessment.

The adequate total capital is determined on the basis of the Danish FSA approach (8+). A proposal for the determination of the adequate total capital is prepared by Risk and is presented to the Group Executive Management. The Board of Directors discusses and determines the adequate total capital on the basis of this proposal.

The proposal is based on the capital adequacy rules (Pillar I) with add-ons for any risks deemed not to be sufficiently covered under Pillar I. At year-end 2015 add-ons were allocated in relation to credit risk, market risk and operational risk.

The models used to calculate the Pillar I capital requirement are described in detail in [note 3](#).

The adequate total capital/solvency need can be broken down as follows:

Adequate total capital/solvency need

	DKKm	% of RWA
Credit risk	4,317	6.4
Market risk	900	1.3
Operational risk	904	1.3
Other exposures	478	0.7
Adequate total capital/solvency need	6,599	9.7

Other exposures include property, plant and equipment and the Group's equity investments.

Total capital is the actual capital that the Group has at its disposal.

Based on the adequate total capital the Group's capital structure can be specified as follows at 31 December 2015:

Capital structure

	DKKm	% of RWA
Adequate total capital/solvency need	6,599	9.7
Excess capital	5,385	7.9
Total capital	11,984	17.6

Stress testing is another important element in determining the adequate total capital.

The object of stress testing is to assess the impact of adverse events on capital needed and income. Stress test calculations show the impact for the coming years in given economic scenarios.

At 31 December 2015 the Group has based its stress test calculations on the following macroeconomic scenarios:

Base case scenario which reflects the Group's forecast of developments in the economy.

Mild recession which reflects deteriorated economic conditions compared with the base case scenario. Annualised GDP is expected to develop positively in 2016 and 2017. Unemployment will remain at its current level in 2016 and 2017.

Global crisis which reflects that the Danish economy will be hit by two blows: a domestic blow where confidence among Danish consumers and businesses will weaken significantly and a foreign blow where the international economy will be hit by a new cyclical downturn. This scenario resembles a very deep recession but in terms of GDP it is not quite as severe as in the period 2008-2009. Unemployment will increase substantially. GDP developments will be negative in 2016 and 2017 and house prices will drop sharply during the same period.

Lending freeze which reflects a scenario resembling the global crisis scenario. However Danish households and consumers will be more reluctant to borrow money. This can be construed as a more severe blow to the Danish economy. The recession will be slightly deeper than in the global crisis scenario.

Deflation which reflects that inflation will continue to decrease in Denmark and the euro area leading to deflation where the overall level of prices will drop. Compared with the global crisis scenario, Denmark will see a further moderate decline in interest rates but more significant declines in prices and lending.

Bankruptcy avalanche which reflects that the sharp drop in oil prices will set off an avalanche of bankruptcies, putting pressure on many international banks. The substantial losses among banks will drain liquidity from the money market, which will spark a full-blown selloff of risky assets. This will invert the yield curve and trigger declines in share prices. In the real economy this will cause a significant loss of wealth, which will trigger a new recession. In terms of GDP this scenario is less severe than

the global crisis scenario as regards the time horizon considered but the decline in asset prices will be more substantial.

Interest rate increase which reflects a steep rise in oil prices. In the light of the sharply rising inflation the central banks in USA and the euro area will hike interest rates considerably. The Danish economy will stagnate and house prices and lending will drop. Danish economic growth will come to a standstill, unemployment will rise slightly and prices and lending will decline.

The scenarios and their relevance are subject to ongoing assessment and the scenarios are approved by management as the basis for further stress test calculations. The impacts of the scenarios are included in the assessment of the adequate total capital. The stress tests conducted show that the Group is adequately capitalised.

Throughout 2015 the Group fully complied with external as well as internal capital requirements.

Investor Relations

To support its strategic goals the Group ensures that its stakeholders receive accurate and complete information by targeting its communication to investors according to best practice and by maintaining a high degree of professionalism.

The Group strengthens and expands relations with investors and analysts by conducting roadshows when its financial statements are published.

In addition management interacts with analysts, shareholders and potential investors at a number of seminars and conferences where current issues concerning Sydbank are presented and discussed.

In 2015 Sydbank held approximately 150 meetings with investors in Western Europe and USA.

The Sydbank share

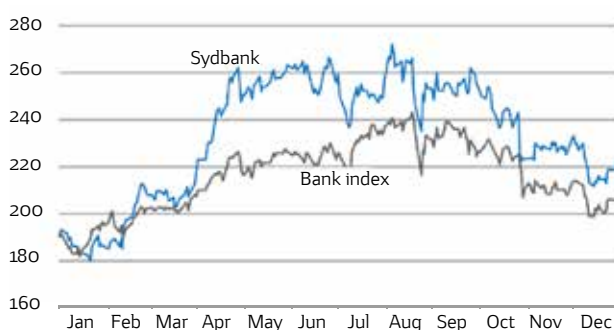
The Sydbank share is listed on NASDAQ OMX Copenhagen and forms part of the OMX Copenhagen Large Cap index.

The Sydbank share rose from 190.2 at year-end 2014 to 221.8 at year-end 2015, equal to an increase of 17%. By comparison the bank index rose by 9%.

The Sydbank share

	2015	2014
Share capital (DKKm)	742	742
Total market capitalisation at year-end (DKKm)	16,469	14,122
Share price at year-end	221.80	190.20
EPS Basic (DKK)	15.83	14.35
Dividend per share (DKK)	11.12	7.08
Book value per share (DKK)	160.19	154.20
Share price/book value per share	1.38	1.23

Share price developments 2015



At the end of 2015 the Sydbank share was covered by eight analysts.

The average daily turnover of the Sydbank share was DKK 55m in 2015 compared with DKK 31m in 2014. The share was the 21st most traded share at NASDAQ OMX Copenhagen.

Distribution policy

Sydbank's overall financial goal is to provide its shareholders with a competitive return by way of price increases and dividends.

In 2015 Sydbank paid dividend for the first time in three years. The dividend for 2014 amounted to DKK 7.08 per share, equal to a payout ratio of 50%. This was the highest dividend in the Bank's history.

In continuation of the historically high dividend in 2015 Sydbank has acquired 2,009,800 own shares totalling DKK 500m. The share buyback was conducted as part of the adjustment to the Group's capital targets.

The Group's targets are a Common Equity Tier 1 capital ratio of around 13.5% and a capital ratio of around 17.0%.

The Board of Directors recommends to the AGM that 50% of the Group's profit after tax, equal to a dividend of DKK 7.94 per share, be distributed and that DKK 10m be donated to the sponsorship fund Sydbank Fonden.

In addition to the ordinary dividend, the Board of Directors recommends – on the basis of improved income and a strong capital base – that further capital be repaid to shareholders.

Therefore the Board of Directors proposes that an additional dividend of DKK 3.18 per share, equal to 20% of the Group's profit after tax, be distributed. Proposed dividend for 2015 totals DKK 11.12 per share.

In addition to the cash dividend a new share buyback programme of DKK 350m will be launched with expected implementation in the period from end-February 2016 to end-2016. Consequently a total of 100% of profit for the year after tax will be distributed.

Mission Statement and Business Goals

Sydbank is one of Denmark's largest banks. As a nationwide bank Sydbank has a significant presence in all parts of Denmark as well as in Northern Germany. Since its establishment in 1970 through a merger between four banks in Southern Jutland, Sydbank has grown through mergers and acquisitions.

Sydbank's business volume in Denmark is evenly distributed across 10 geographical areas which form the basis of the direct advisory services to the Bank's clients. The total business volume consists of loans and advances, deposits, guarantees and custody accounts. Depending on client segment and type of business Sydbank has a market share of between 5 and 11%.

Sydbank's business model

- Sydbank will remain an independent bank operating on its own terms.
- Sydbank is an advisory bank that wishes to be perceived as a competent and value-creating bank.
- Sydbank wishes its image to reflect that the Bank treats its clients with respect.
- Sydbank strives to do business with its clients on the basis of long-term customer relationships.



Mission Statement and Business Goals

Sydbank is a financial undertaking that focuses on traditional banking. As a service undertaking Sydbank's primary objective is to meet the financial requirements of its clients, thereby enabling them to live life as they want and are able to.

Sydbank achieves this objective by striving to be among the absolute top performers in Denmark in terms of operating a bank and providing advisory services to clients based on their specific situation. The Bank uses business partners for a wide variety of financial services, for instance mortgage credit, investment products and insurance.

Values and attitudes

Sydbank's cooperation with its clients and other stakeholders is based on a number of strong values and business principles. Sydbank's values are expressed in the statement: "Excellence and relationships create value" as well as the Bank's stakeholder policy.

Sydbank's stakeholder policy

- Sydbank will act as an open and credible organisation proactively seeking dialogue with its stakeholders and the surrounding community.
- Sydbank will treat its stakeholders fairly, properly and respectfully.
- Sydbank will base its decisions on dialogue with significant stakeholders.
- Sydbank will communicate based on facts, in due time, comprehensibly and precisely with relevant stakeholders.

Sydbank believes that the combination of excellent employees and good relationships creates value for clients – and the Bank. Moreover Sydbank believes that a strong relationship with all stakeholders is an important competitive advantage in a highly competitive and fast-changing financial market.

Blue growth

In connection with the release of the Q1-Q3 2015 Interim Report, Sydbank launched a new strategic plan to ensure that the positive trend seen in 2014 and 2015 continues. The strategic plan is called Blue growth and covers the period from 2016 to 2018.



Characteristics of Blue growth:

- A simple and clear strategy to continue the positive development that Sydbank is experiencing
- Blue because we do it the Sydbank way: in a profitable, down-to-earth, simple and cooperative manner
- Independent because Sydbank's business model is valued by customers. In 2015 Sydbank again enjoyed high customer satisfaction ratings in general
- Articulation of Sydbank's growth targets and means. We will grow through long-term, close relationships where we see acquisitions as an opportunity but not as a necessity
- Ambitious because with Blue growth Sydbank must rank in the top 3 of Group 1 banks in terms of customer satisfaction and return on shareholders' equity
- Persistent because with Blue growth Sydbank is persistent in its payment of dividends
- Strong because Blue growth maintains the aim for a high credit quality
- Blue growth means high-quality and profitable banking – pure and simple.

Blue growth – financial targets:

- Realise a return on shareholders' equity of a minimum of 12% after tax or be in the top 3 of the 6 largest banks
- Maintain top 3 ranking among the 6 largest banks in terms of customer satisfaction.

Blue growth – expected means:

- Increase core income by a minimum of DKK 50m each year
- Reduce costs by DKK 50m annually – in 2015 prices
- Average impairment charges of a maximum of 50 basis points during one economic cycle.

Clients

Sydbank's primary objective is to meet the financial requirements of its clients, thereby enabling them to live life as they want and are able to.

Historically the Bank's clients have been among the most satisfied compared with other banks. Sydbank's objective is to maintain a top 3 ranking among the 6 largest banks in terms of customer satisfaction.

The continued high customer satisfaction constitutes a basis on which to attract new clients. In 2015 Sydbank saw a satisfactory influx of a couple of thousand clients from the most attractive segments.

Client policy

Sydbank has a client policy which says that the individual client should experience becoming or being a client of Sydbank as something special irrespective of whether the client is a retail client or a corporate client.

Sydbank aims to be seen as a flexible bank putting itself in the client's place. In its contact with clients Sydbank wishes to be known as a bank with the proximity and decentralised decision-making authority of a local bank but the production resources, digital options and product range of a large bank.

Customer satisfaction

In 2015 Sydbank saw continued high customer satisfaction among corporate clients as well as retail clients.

In 2015 Sydbank recorded a small increase in overall satisfaction with the Bank among corporate clients. Sydbank achieved a total satisfaction score of 8.2 on a scale from 1 to 10 according to the annual Aalund Business Research poll. This was slightly better than in 2014.

Sydbank ranks number 3 as regards customer satisfaction compared with the other large banks, which is in line with the Bank's Blue growth target.

The annual EPSI poll of retail clients' satisfaction with their bank showed that Sydbank also has satisfied retail clients. With a score of 71.4 out of 100 Sydbank's customer satisfaction is above the sector's average.

Sydbank has satisfied clients



Among Denmark's 6 largest banks
(Sources: EPSI and Aalund 2015)

Business areas

Retail

The banking sector and the way clients use their bank are changing rapidly. Given this changeability we need to focus intensely on clients to predict and develop the products and services that they demand.

Sydbank aims to be competitive, flexible, swift and able to maintain strong, long-term relationships with retail clients. That is why the Bank launched Sydbank Favorit, a loyalty programme for retail clients, in 2015.

Sydbank is a relationship bank and relationships with individual clients are based on flexibility and loyalty. Consequently Sydbank Favorit is based on up to 10 optional benefits while at the same time rewarding clients for loyalty and long-term relationships with the Bank through a number of discounts. The purpose of the loyalty programme is to strengthen Sydbank's competitiveness by expanding and maintaining its high customer satisfaction and client loyalty as well as ensuring even more targeted and competent advisory services based on the client's requirements and freedom of choice.

Building on Sydbank Favorit the Bank aims to take another step towards developing the Sydbank of tomorrow in 2016 where it must find its own way of servicing its clients.

Mission Statement and Business Goals

Sydbank operates its business focusing on its own services and products. In addition the Bank cooperates with a number of sub-suppliers to provide further financial services and products. The primary mortgage credit partners are Totalkredit, Nykredit and DLR Kredit and Sydbank's life insurance partners are Topdanmark and PFA.

Private Banking

Private Banking at Sydbank strives to provide qualified advisory services throughout the entire life cycle of Private Banking clients. As a result the Bank focuses on long-term relationships with individual clients.

In 2015 Sydbank focused on continuing the value-creating implementation of the new client-focused and decentralised organisation which the Bank introduced in 2014.

Within the Private Banking area Sydbank has a physical Private Banking centre in each of the Bank's 10 regions. The purpose of the decentralised organisation is to ensure value-creating advisory services to individual Private Banking clients on a strongly decentralised basis.

Advisory services are provided by dedicated Private Bankers. These advisers are assisted by a team of experts tailored to the specific requirements of the individual client. The team at the client's disposal provides advisory services on eg investments, wealth management and other financial issues. If further requirements arise, special experts from the Bank's central functions are called upon.

Investment

The investment area is an integrated part of the Private Banking organisation.

For many years Sydbank has targeted the investment area and the Bank primarily focuses on personal and individual advisory services to its clients. In addition the Bank provides digital information and trading systems for securities and foreign exchange trading.

Corporate

Sydbank aims to be Denmark's best bank for medium-sized and large enterprises and prioritises building and maintaining peer relationships with all clients.

Consequently all corporate clients receive advisory services from a personal adviser who knows the individual enterprise and its situation.

Sydbank prioritises swift responses to corporate clients as well as flexible solutions. This is possible due to a decentralised and flat organisational structure with short lines of decisionmaking.

Sydbank is a full-scale corporate bank offering financing solutions tailored to the requirements of the individual enterprise. The Bank provides advisory services to corporate clients on for instance succession, the acquisition and sale of enterprises, the raising of subordinated loan capital, initial public offerings and share issues, documentary credits, debt collection and guarantee transactions as well as export finance.

In addition Sydbank provides leasing of for instance machinery and cars to corporate clients via Sydbank Leasing. In 2015 Sydbank formed a collaboration with Totalkredit, making it possible for corporate clients to obtain mortgage financing of real property.

In 2015 Sydbank focused on continuing the implementation of the new and more client-focused organisation for the corporate area introduced in 2014. This organisation ensures that individual corporate clients receive advisory services that match the situation and requirements of the individual enterprise - and always with the assistance of a personal adviser. This is to ensure that Sydbank will be able to retain the high customer satisfaction among the Bank's corporate clients in the future and continue to meet the ambition of being Denmark's best bank for medium-sized and large enterprises.

International banking services

Sydbank's corporate clients have access to efficient international commercial banking services. Sydbank offers payment services and cash management solutions virtually worldwide. This is effected through the Bank's branches in Germany and in close cooperation with Nordic banks as well as the Connector banks.

Moreover Sydbank offers payments and accounts in Chinese yuan (CNY) and the Bank's clients can receive local banking services in approximately 60 Chinese bank branches. Sydbank also participates in the Single Euro Payments Area (SEPA). As a result it is easier, faster and cheaper for the Bank's corporate clients to execute EUR payments in all EU countries and collect EUR payments throughout Europe.

Asset management

Sydbank offers advice and asset management to for instance investment funds, pension pools, foundations and institutional clients.

In addition the Bank offers asset management to wealthy clients through individual portfolio management agreements. Moreover the Bank offers investment allocation models including PengePlan® to its other clients.

Asset Management is also responsible for the Bank's macro, equity and fixed income research.

Asset management

DKKbn	2015	2014
Pooled pension plans	12	11
PengePlan®	10	9
PM mandates	13	13
Management agreements	4	3
Investment funds and hedge funds	45	47
Total	84	83

Custody account volume

DKKbn	2015	2014
Retail and corporate clients	108	98
Pooled pension plans	12	11
Financial institutions	5	5
Investment funds and hedge funds	44	44
Total	169	158

Custody account volume distribution – retail and corporate clients

DKKbn	2015	2014
Danish bonds	11	13
Foreign bonds	8	4
Danish shares	35	29
Foreign shares	6	5
Investment funds and hedge funds	48	47
Total	108	98

Overall, asset management is a growth area. Just under 1/3 of Sydbank's assets under management concern emerging market shares and bonds. Emerging markets is an area in which the Bank has built considerable expertise over the years.

In 2015 assets under management increased slightly to DKK 84bn compared with DKK 83bn in 2014. The development reflects share price increases in most developed countries as well as decent net sales of wealth management products, in Sydbank in particular.

In 2015 the considerable exposure to emerging markets was impacted by price declines as well as some investor selloff due to falling commodity prices. This has had a negative effect on growth in several of the large emerging market economies.

Agriculture

Sydbank Agriculture provides advisory services to Sydbank clients who operate full-time agricultural holdings. Clients of Sydbank Agriculture receive financial advisory services targeted to the special requirements and circumstances of the agricultural industry. Each client is assigned an agricultural adviser who offers banking advice and also follows the agricultural industry closely and stays updated on the different farming branches and the sector in general.

Sydbank's advisory services to full-time agricultural holdings are pooled in two agricultural centres in Rødekro and Billund. The agricultural centre in Billund is the result of an amalgamation of the agricultural centres in Varde and Horsens on 5 June 2015. Moreover the Bank has agricultural advisers at Sydbank's branches in Aalborg, Svendborg and Slagelse.

Among other factors, the Russian import ban on pork and the reduced Chinese demand for milk powder from 2014 continued to affect price levels in 2015. At the end of 2015 settlement prices for milk and pork were at a very low level. Average milk prices in 2015 were in line with the forecasts at the beginning of the year. The same situation was observed for pork. In pig production a few farming branches, eg piglet producers, were hard hit by low demand and low pooling prices. Corn prices also fluctuated a great deal in 2015.

In general the agricultural industry and its framework conditions are subject to political attention. Overall this is positive for the agricultural industry and relevant in order to ensure a continued strong agricultural and food production in Denmark.

Mission Statement and Business Goals

Changes in how clients use the Bank



-73%

Large decline in number
of cash transactions
(2010-2015)



+53%

Rising number of
NetBank logins
(2012-2015)



+411%

Rising number of
MobilBank logins
(2012-2015)

Given the current low price level and the forecasts for 2016 continued low earnings are expected in the agricultural industry in 2016. As a result of the current price levels the agricultural sector is generally in a challenging situation. However it varies considerably from farm to farm in terms of production efficiency, earnings capacity and debt ratio.

In general Sydbank attaches importance to long-term client relationships based on a close relationship, open dialogue and mutual loyalty. This is also true as regards the Bank's relationship with agricultural clients. Sydbank attaches importance to having a close and personal collaboration with the individual agricultural holding. The cooperation and the financial advisory services are based on the financial situation of the individual agricultural holding.

Sydbank in Germany

Sydbank in Germany targets Danish corporate clients who trade with Germany as well as German corporate clients and Private Banking clients. The Bank's areas of expertise such as Private Banking as well as financial and wealth advisory services are also available at Sydbank in Germany. Furthermore Sydbank in Flensburg services retail clients, including clients who commute across the Danish-German border.

Sydbank's branches in Germany are situated in Flensburg, Kiel and Hamburg.

Organisation

Sydbank aims to serve its clients on the basis of their requirements and to offer digital self-service solutions that enable clients to carry out everyday banking transactions in an easy and flexible manner. Clients increasingly prioritise that their bank

enables them to carry out banking transactions whenever it is convenient for them.

Contact between clients and Sydbank takes place via the branches in the Bank's 10 Danish regions, its branches in Germany, the expert functions at the head office - but increasingly via Sydbank NetBank, Sydbank MobilBank and via the Bank's customer service function - over the phone, Facebook and chat.

Providing full service to all clients, the Danish regions are organised in Corporate, Private Banking and Retail sections and service the Bank's smaller branches. Moreover Sydbank has a separate function dedicated to agricultural clients. Administrative tasks are carried out by customer secretariats. At the end of 2015 Sydbank had 71 branches in Denmark and three branches in Germany. The number of branches is adjusted on an ongoing basis on the basis of the clients' use of them.

Safety

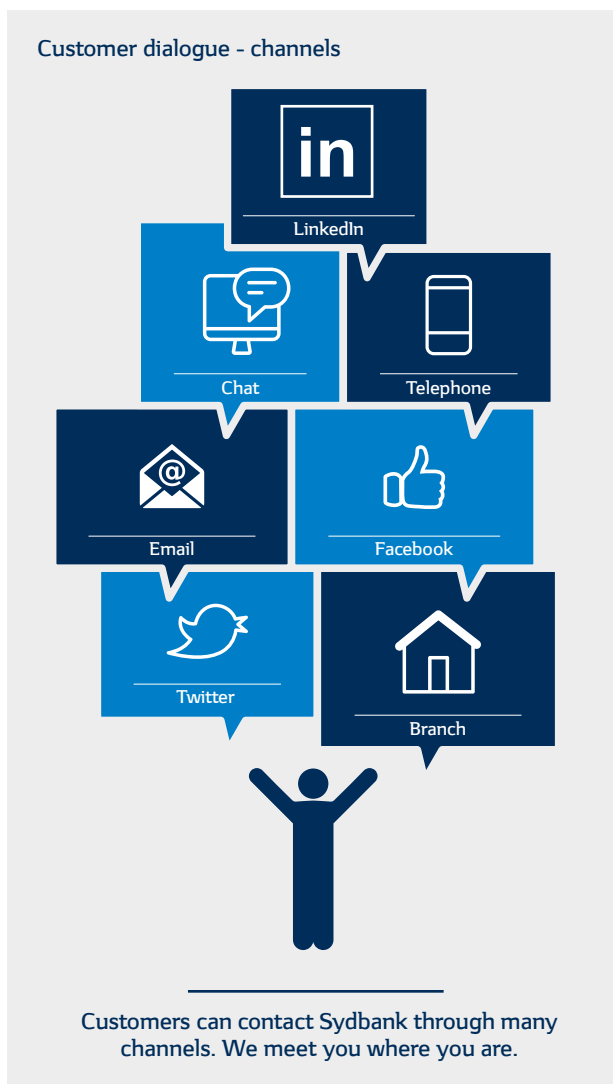
Sydbank gives high priority to safety in its branches. Safety is increasing since a growing number of branches are cashierless and cashless in line with the adaptation to client needs. Furthermore all branches with cashier services are equipped with time locks and other robbery-prevention measures.

As clients increasingly move their banking transactions to IT-based platforms and as almost all the Bank's transactions involve the use of IT, IT security is also a high priority. Sydbank works to ensure that security goes hand in hand with user-friendliness as regards the Bank's IT-based platforms. IT security is described in further detail on [page 103](#).

Online and digital solutions

Sydbank NetBank and Sydbank MobilBank enable clients to pay bills, trade securities and much more via their computers, tablets and smartphones. The use of NetBank and MobilBank is increasing sharply and at year-end 2015 users numbered approximately 230,000 and 146,000, respectively.

In particular there has been a very large increase in clients' use of MobilBank. In December 2015 Sydbank registered approximately 3.0 million logins compared with 2.4 million in December 2014.



Sydbank participates in the sector cooperation regarding the mobile payment service Swipp, which is a separate company. Swipp enables bank clients to transfer money using mobile phone numbers and without the use of NemID. In 2015 Swipp was launched as a stand-alone app and became a payment option for Danish bank clients in a large number of shops and retail chains – including Matas and Magasin.

In 2015 the housing market website Bolighed.dk was launched by Sydbank in cooperation with Nykredit, Spar Nord and Arbejdernes Landsbank. The purpose of the website is to offer Danish homeowners greater transparency whether they are looking to purchase or sell a property or are simply interested in the housing market in general. The ambition behind Bolighed.dk is to develop new tools and make them available to Danish homeowners.

Sydbank Online Banking for corporate clients can be fully integrated with a client's ERP system and supports a wide range of national and international cash management solutions. The system also includes a Trade Finance Online module.

In 2015 Sydbank continued to focus on developing digital solutions that benefit the Bank's clients. In 2015 Sydbank launched MobilBank Erhverv for corporate clients, a further development of NetBank, and a new cash handling concept making it possible to deposit and withdraw cash at state-of-the-art ATMs located at all the Bank's branches.

Sydbank had 154 ATMs at year-end 2015. They are located in all the Bank's branches as well as in selected places, for instance shopping centres. The vast majority of machines are open 22 hours every day of the year. In 2015 the Bank's ATMs handled approximately 5.4 million cash withdrawals. It is possible to make cash deposits at 83 ATMs around the country. It is possible to buy EUR from 133 of the Bank's ATMs.

Customer service

Sydbank wishes to give its clients the possibility of contacting the Bank whenever and however it is convenient for them. Therefore Sydbank's customer service function uses a number of different channels.

Sydbank has three customer service centres – in Slagelse, Vejle and Aabenraa. Customer Services are open all days between 8am and 8pm but closed on public holidays, 24 and 31 December.

In 2015 Sydbank's customer service answered 1,142,671 phone calls, responded to 43,375 emails and had 3,825 chat

Mission Statement and Business Goals

conversations. Chat conversations were introduced as part of Sydbank's customer service in 2015. The average time to answer the phone in Customer Services was 15 seconds on weekdays and 30 seconds at weekends in 2015.

Clients are also able to start a dialogue with the Bank via Sydbank's Facebook profile. At the end of 2015 Sydbank had around 4,000 followers on Facebook and received almost 3,000 comments from clients on Facebook in 2015. Sydbank uses its Facebook profile to communicate openly about news, operational disruptions and in general to engage proactively with clients who choose this channel to contact the Bank.

HR and staff

Excellent employees are critical to ensure the Bank's continued success and value creation for Sydbank's clients as well as the Bank itself. Also in 2015 Sydbank focused on skills development and further education of the Bank's employees,

In 2015 the Bank's managers – both in client-oriented areas as well as in the central joint functions – participated in specific development courses to support Sydbank's overall goals. In addition to the continued focus on management development in 2015 Sydbank also had considerable focus on training as regards the Bank's advisers, including retail account managers, corporate account managers, Private Bankers and local business advisers.

As part of the plan to increase Sydbank's profitability the Bank made targeted efforts to enhance the efficiency of operations throughout 2015. This has taken place partly to respond to clients' increasing use of digital solutions and partly to reduce the Bank's overheads. As a result the number of staff at Sydbank was reduced by 57 in 2015 and represented 2,044 at year-end 2015, including Sydinvest Administration.

As part of the implementation of Sydbank's Blue growth strategy, the efforts to enhance efficiency will continue and as a result the number of staff will continue to decline in 2016.

IT

IT is an important part of Sydbank's business model. The Bank's business model is adjusted regularly to clients' increasing demand for self-service and advisory services outside the traditional branch.

The way clients use the Bank is changing these days, resulting in growing demands for flexibility and shorter delivery times. Consequently Sydbank's IT is being adjusted to the change in client behaviour.

To support this work Sydbank introduced a CRM system in 2015 which will serve as the hub for a number of advisory services and sales and marketing initiatives in the coming years.

At the same time the Bank continues to work on providing IT support of its business processes to ensure consistent case processing, fewer errors and greater process transparency. This work also pivots on the Bank's CRM system.

The rising demand for new IT solutions has prompted the Bank to initiate a structured process to implement a systemic prioritisation of the IT solutions in demand. To support the implementation of IT solutions the Bank started work on a new project model in 2015.

Sydbank's banking system supplier is Bankdata, which also provides system solutions to a number of other Danish banks. Also at Bankdata a number of initiatives have been launched to support the Bank's possibilities of meeting clients on many digital platforms and with very flexible solutions.

Danish Regional Bankers' Association

Sydbank is a member of the industry association, Regional Bankers' Association (RBF), together with Arbejdernes Landsbank, Jyske Bank and Spar Nord Bank. The main object of the association is to strengthen members' position in relation to sector policy.

Corporate Governance

Sydbank backs and actively addresses the recommendations issued by the Committee on Corporate Governance.

As a SIFI the Group publishes the statutory corporate governance report on the Bank's website. The Board of Directors follows the comply-or-explain principle. The position of the Board of Directors as regards each recommendation appears from Sydbank's Corporate Governance Principles, which can be read at sydbank.com.

Moreover the Group has considered and supports the management code of conduct of the Danish Bankers Association. More information is available at sydbank.com.

Sydbank has a voting right limitation according to which no shareholder on his own behalf may cast a vote of more than 5,000 shares.

The Board of Directors consists of between 6 and 10 members elected mainly by and from among the members of the Shareholders' Committee. Board members elected by the Shareholders' Committee are elected for a term of three years. Re-election is possible. If the number of board members is reduced to less than six, the Shareholders' Committee will add to the number of board members as soon as possible in order to increase the number of members to at least six.

When a member of the Board of Directors attains the age of 70, he must vacate office no later than at the next annual general meeting. As a main rule the maximum term of office for board members is 12 years. The aim is that women will represent 25% of the shareholder-elected board members. Following the general meeting in 2015 Sydbank's Board of Directors consisted of eight shareholder-elected board members, none of whom were women. Consequently the composition of the Board of Directors does not currently meet the target of 25%. The Nomination Committee and the Board of Directors will seek to ensure that new women board members can be recruited to fulfil the defined target.

Resolutions to amend the Articles of Association and resolutions to dissolve the Bank or to merge the Bank with other companies will only be adopted if at least two-thirds of the voting share capital is represented at the general meeting and the resolution is carried by two-thirds of votes cast and of the voting share capital represented at the general meeting.

If two-thirds of the voting share capital is not represented at the general meeting and the resolution has been carried by two-thirds of both the votes cast and of the voting share capital

represented at the general meeting, the resolution can be adopted at a new general meeting by the majority of votes cast as prescribed above irrespective of the proportion of voting share capital represented.

Resolutions to amend the Articles of Association submitted by the Shareholders' Committee or the Board of Directors may be finally adopted at a single general meeting by two-thirds of both the votes cast and of the voting share capital represented at the general meeting.

Share capital

The Board of Directors may authorise a share capital increase of up to DKK 432,500,010 in one or more issues. The authorisation applies until 1 March 2016. Increases in share capital pursuant to such authorisation may be effected without any pre-emption rights for the Bank's existing shareholders, if effected by an unrestricted public subscription at market price, by conversion of debt or as consideration for the Bank's acquisition of a going concern or specific capital assets of a value corresponding to the value of shares issued.

The general meeting has authorised the Board of Directors to allow the Bank to acquire own shares within a total nominal value of 10% of the Bank's share capital.

The Board of Directors holds at least 11 ordinary meetings each year and evaluates its work annually. The evaluation includes an assessment of the work and results of the Board of Directors and its members.

Other directorships held by the Board of Directors can be seen on [pp 112-117](#).

Sydbank's Articles of Association are available at sydbank.com.

Significant internal controls and risk management systems

Sydbank's risk management and internal controls relating to financial reporting are designed for the purpose of preparing:

- management accounts which make it possible to measure and follow up on the Group's performance
- financial statements which give a true and fair view without material misstatement and which are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial companies.

The Group Executive Management is responsible for maintaining effective internal controls and a risk management system in connection with financial reporting. The Group Executive

Corporate Governance

Management has designed and implemented controls considered necessary and effective to counter the identified risks relating to financial reporting. The Group's internal controls and risk management systems are updated on an ongoing basis and are designed with a view to identifying and eliminating errors and omissions in the financial statements.

Risk assessment

The Board of Directors and the Group Executive Management regularly assess the risks relating to the Group, including those affecting financial reporting. A description of the most significant identified risks is given in the Annual Report under [Note 2](#) Accounting estimates and judgements.

Procedures have been put into place to ensure that Sydbank at all times complies with relevant legislation and other regulations in connection with financial reporting. The Audit Committee is regularly informed of significant changes in legislation.

Monitoring

Analyses and control activities are conducted in connection with the preparation of the financial statements to ensure that financial reporting is in compliance with IFRS as described under [Note 1](#) Accounting policies.

Compliance

Compliance is an independent function reporting directly to the Bank's Group Executive Management. The department assesses and supervises that the Bank's business units comply with legislation and internal rules. The ongoing reporting includes assessments of risks in the form of financial losses, administrative sanctions and the loss of good standing. In 2015 the Danish FSA conducted an inspection of the Bank's compliance function, which resulted in an order to carry out an analysis of the required compliance level to ensure that the compliance function covers the whole bank. The analysis showed a need for two additional employees, bringing the total staff to six employees in 2016.

Overall just under 100 areas/activities in the Bank have been identified that must be assessed in terms of risk by Compliance. Follow-up must be conducted on an ongoing basis for the assessments carried out, the time horizon of which is dependent on the risk identified. Moreover Compliance will document to a greater extent why some areas/activities are not reviewed. The changes as a result of the analysis have been incorporated in Compliance's plans going forward.

Risk organisation

Sydbank has a formal risk organisation comprising a number of risk committees and a Chief Risk Officer reporting directly to the Bank's Group Executive Management. The Chief Risk Officer is responsible for prudent risk management within the Group and compliance with the requirements of the Danish executive order on management and control of banks etc. The risk committees are headed by a member of the Bank's Group Executive Management and the Chief Risk Officer is a permanent member. The risk committees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risk. The committees ensure that the Bank's business units counter identified risks.

Audit Committee

The Audit Committee has no independent decision-making authority but reports to the Board of Directors and convenes as a minimum four times a year.

The Audit Committee reviews and monitors on an ongoing basis the adequacy of the Group's internal controls. Moreover the committee assesses significant risks in connection with accounting, auditing and security issues. The assessments are carried out when the Board of Directors, Internal Audit, the Audit Committee or independent auditors believe an issue deserves closer examination before it is brought before the Board of Directors.

Moreover the Audit Committee follows up on measures taken to rectify weaknesses in internal controls as well as to correct errors and omissions in the financial statements reported by independent auditors and Internal Audit and ensures that controls and procedures are implemented to counter these errors and omissions. The Audit Committee convened eight times in 2015.

The Board of Directors has appointed Svend Erik Busk, General Manager, as the independent and qualified board member who possesses special qualifications. Svend Erik Busk's competence is based on 35 years of accounting experience, including 22 years as a partner at KPMG.

The committee consists of Svend Erik Busk (Chairman), General Manager, Torben Nielsen, former Central Bank Governor, Jacob Chr. Nielsen, CEO, and Lars Mikkelsen-Jensen, Board Chairman.

Reference is made to sydbank.dk/omsydbank/organisation/revisionsudvalg for further information (in Danish only).

Risk Committee

The Risk Committee has no independent decision-making authority but reports to the Board of Directors. The Risk Committee must provide the Board of Directors with an overview of the Bank's current risk scenario and prepare the determination of the Bank's overall risk profile and risk strategy, including the risks associated with the Bank's business model. The Risk Committee ensures that the policies and guidelines of the Board of Directors as regards risk are implemented and function effectively in the Bank.

The Risk Committee convenes as a minimum four times a year.

The committee consists of Torben Nielsen (Chairman), former Central Bank Governor, Peder Damgaard, General Manager and former Principal, Bo Normann Rasmussen, General Manager, and Jarl Oxlund, Chairman of Sydbank Kreds.

Reference is made to sydbank.dk/omsydbank/organisation/risikoudvalg for further information (in Danish only).

Remuneration Committee

The Remuneration Committee has no independent decision-making authority but reports to the Board of Directors. The Remuneration Committee formulates the Bank's remuneration policy and decides which of the Bank's functions are covered by the concept of "material risk takers". Following approval by the Board of Directors the remuneration policy is submitted to the general meeting which will make the final decision. The Remuneration Committee ensures that the remuneration policy in force is complied with.

The Remuneration Committee convenes as a minimum once a year.

The committee consists of Peder Damgaard (Chairman), General Manager and former Principal, Torben Nielsen, former Central Bank Governor, Erik Bank Lauridsen, General Manager, and Alex Slot Hansen, Executive Vice President, Private Banking.

Reference is made to sydbank.dk/omsydbank/organisation/loenuudvalg for further information (in Danish only).

Nomination Committee

The Nomination Committee has no independent decision-making authority but reports to the Board of Directors. The Nomination Committee identifies and describes the qualifications required in the Bank's Board of Directors and assesses whether they are present.

Moreover the committee must propose new potential candidates for the Advisory Boards and the Shareholders' Committee so that new members to the Board of Directors may be recruited from the Shareholders' Committee to the widest extent possible.

The Nomination Committee convenes as a minimum four times a year.

The committee consists of Torben Nielsen (Chairman), former Central Bank Governor, Peder Damgaard, General Manager and former Principal, Erik Bank Lauridsen, General Manager, and Frank Møller Nielsen, Attorney.

Reference is made to sydbank.dk/omsydbank/organisation/nomineringsudvalg for further information (in Danish only).

Internal Audit

To gain an objective and independent assessment of the adequacy, effectiveness and quality of the Group's internal controls, Sydbank has established an internal audit function reporting to the Bank's Board of Directors.

Internal Audit performs audits focusing, among other factors, on the most significant areas of the Bank's risk management. In addition Internal Audit oversees that:

- the Group has good administrative and accounting practices
- there are written business procedures for all important areas of activity
- management's instructions on security and controls are incorporated into business procedures and are observed
- there are prudent control and security measures within IT.

Corporate Social Responsibility

Sydbank's social responsibility is business-driven. The Bank wishes to create value in all its dealings through excellence and the ability to form long-term relationships.

The Bank is conscious of the significant socio-economic responsibility that its role as a finance provider, securities trader and payment intermediary involves and this is reflected in the Bank's policies and efforts to solve tasks as rationally as possible while observing the Bank's values.

Sydbank's social responsibility is a common matter and consequently the sum of all the Bank's activities, centrally as well as decentrally.

In 2015 an analysis was carried out of Sydbank's social responsibility basis against the backdrop of applicable internationally recognised principles: the UN Principles for Responsible Investment, signed by Sydbank in 2010, and the UN Global Compact, which Sydbank has not signed.

A risk assessment of Sydbank's human rights risk was conducted, also in relation to the internationally recognised principles contained in the UN Guiding Principles on Business and Human Rights, which Sydbank follows.

The overall conclusion of the analysis of Sydbank's social responsibility basis was that much has already been implemented based on common sense but the work needs to be formalised and formally anchored with management and a formal reporting structure must be created. This work has been initiated on the basis of the analysis.

The overall conclusion of the risk assessment of Sydbank's human rights risk is that Sydbank has only a limited risk of having a negative impact on human rights related to the operation of its own business. The greatest risk is within equal rights and anti-discrimination as regards recruitment and promotion.

Special focus area

Sydbank's social responsibility applies throughout the Group. We rely on a focused CSR effort to achieve the greatest impact. Sydbank supports the international negotiations to ensure a global CO2 reduction. Therefore Sydbank has chosen to focus on the Bank's own impact on the climate and its energy consumption.

Climate and energy

In terms of climate and energy, continuing efforts seek to reduce the energy consumption and CO2 emissions associated with the Bank's activities. Sydbank has introduced detailed monitoring of and follow-up on energy consumption at all

Sydbank premises. Detailed reporting of the consumption is carried out on an ongoing basis to the person directly responsible for each individual location. In addition a number of energy-saving measures have been implemented in the areas in which the effect has been most striking, notably as regards IT server cooling.

Staff

The Bank's staff are employed in Denmark or Germany in accordance with the existing agreements for the banking area in the two countries. The Bank respects basic human rights.

Sydbank focuses on being a workplace with a good physical and psychological working environment. Concrete initiatives within stress prevention, senior policy schemes and health promotion constitute some of the reasons why Sydbank is seen to be a highly attractive workplace.

Sydbank has a whistleblower function where employees can anonymously report any circumstances which in their opinion do not comply with Sydbank's policies, rules or values. The function is managed by the Bank's Compliance department.

Sydbank participates in and encourages participation in the Danish Bankers Association's annual Money Week where employees and managers teach economics in the country's lower secondary schools.

Investment and credit

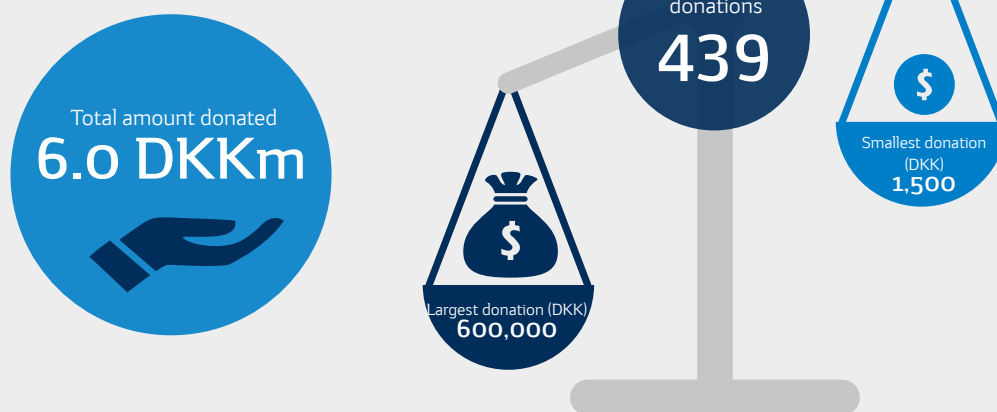
Sydbank exercises its social responsibility in the investment area primarily by the way in which the assets of the various portfolios managed by Sydbank are invested. When planning the management of these assets, we find it important that the companies invested in comply with the UN Principles for Responsible Investment (UN PRI). This entails for instance:

- that environmental, social and corporate governance (ESG) issues are incorporated in investment decisions
- that Sydbank applies a commitment approach in relation to influencing companies invested in that do not fully live up to its expectations regarding ESG issues.

In line with its core values, Sydbank does not wish to invest in companies that violate widely accepted international conventions and norms as formulated in for instance the UN Global Compact concerning businesses' positions on human rights, labour rights, environmental issues and anti-corruption.

The Bank's credit activities must be consistent with its business model and the chosen risk profile. The Bank aims to grant credit on a balanced, informed and well-founded basis.

Active contribution to society through the Bank's funds



Sydbank does not wish to participate in financial transactions where doubts may be raised about the motives or business methods irrespective of whether these transactions are believed to be legal.

Tax Governance

Sydbank wishes to make a positive contribution to the community of which the Group forms a part and therefore since April 2013 Sydbank has participated in a joint project called Tax Governance with SKAT, the Danish tax authorities, to strengthen the cooperation on a swift and efficient clarification of the Group's fiscal and tax issues.

Via the cooperation – which is based on mutual openness and trust – the Group is able to learn about SKAT's position on concrete fiscal and/or tax issues and consequently minimise future risks including:

- prompt replies to specific questions regarding fiscal and tax matters in respect of implemented as well as contemplated transactions
- ongoing dialogue with SKAT in which Sydbank is able to discuss problems as they arise, which saves resources for Sydbank as well as the authorities in terms of a later review of the income tax return etc.

As a financial undertaking Sydbank carries out an important social task by reporting information to SKAT which forms the basis of the automatic issue of annual statements for a significant number of Danish taxpayers. Via Tax Governance contributions are made on an ongoing basis to enhance the general quality of reporting, which makes the collection of taxes efficient and simple for the authorities and clients alike.

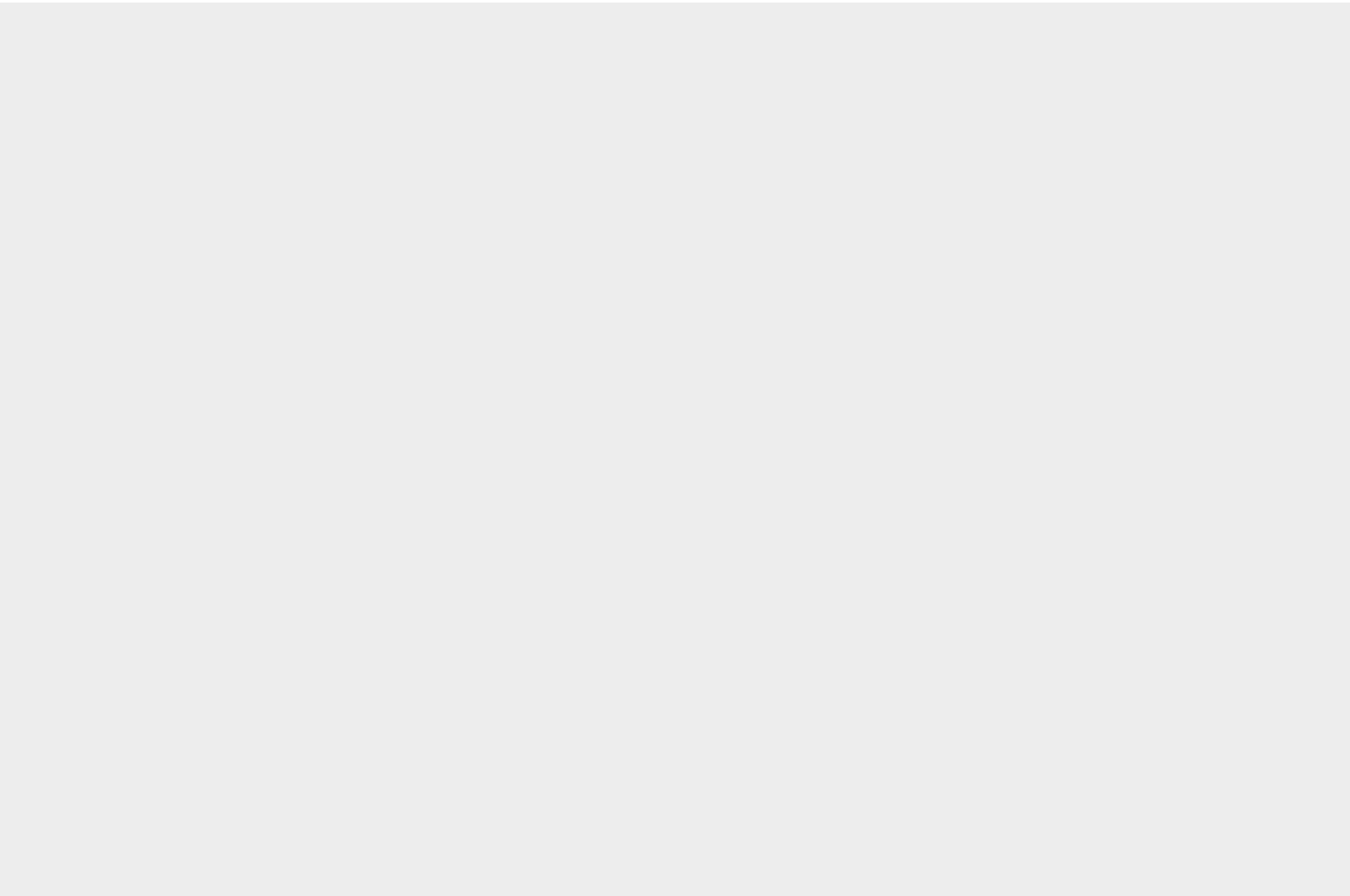
Relationship with the surrounding world

Sydbank is a relationship bank. Sydbank attaches importance to establishing and developing good relationships with its clients and business partners as well as society in general. It is important for Sydbank to play an active part in the local communities where the Bank operates.

Sydbank focuses its efforts on building strong relationships with the community of which the Bank is a part. Sydbank sponsors many activities, both nationally and in local communities, and Sydbank's funds (Sydbank Fonden and Sydbank Sønderjyllands Fond) contribute to the Bank's active participation in society via 439 donations in 2015.

Sydbank is actively involved in local association activities and sports activities in the entire market area. A large number of sponsorships are nurtured locally and regionally – not least amateur associations. For instance Sydbank sponsors the Danish Handball Association's handball schools which have 8-10,000 participants annually. Moreover Sydbank supports selected charitable organisations that operate in the world's poorest areas.

The annual CSR Report is available at sydbank.com.



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Income Statement

DKKm	Note	Sydbank Group		Sydbank A/S	
		2015	2014	2015	2014
Interest income	5	2,846	3,341	2,849	3,345
Interest expense	6	342	599	343	597
Net interest income		2,504	2,742	2,506	2,748
Dividends on shares	7	64	43	64	42
Fee and commission income	8	1,902	1,750	1,784	1,750
Fee and commission expense	8	300	238	238	238
Net interest and fee income		4,170	4,297	4,116	4,302
Market value adjustments	9	251	391	252	391
Other operating income	10	40	31	40	31
Staff costs and administrative expenses	11	2,455	2,497	2,413	2,505
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		97	96	74	95
Other operating expenses		130	114	130	120
Impairment of loans and advances etc	12	311	692	311	692
Profit/(Loss) on holdings in associates and subsidiaries	13	5	9	(23)	7
Profit before tax		1,473	1,329	1,457	1,319
Tax	14	325	277	309	267
Profit for the year		1,148	1,052	1,148	1,052
Distribution of profit for the year					
Profit for the year				1,148	1,052
Total amount to be allocated				1,148	1,052
Proposed dividend				803	526
Proposal for allocation for other purposes				10	10
Transfer to shareholders' equity				335	516
Total amount allocated				1,148	1,052
EPS Basic (DKK)*		15.8	14.3	15.8	14.3
EPS Diluted (DKK)*		15.8	14.3	15.8	14.3
Proposed dividend per share (DKK)		11.12	7.08	11.12	7.08

* Calculated on the basis of average number of shares outstanding, see [page 17](#).

Statement of Comprehensive Income

Profit for the year	1,148	1,052	1,148	1,052
Other comprehensive income				
Items that may be reclassified to the income statement:				
Translation of foreign entities	26	4	26	4
Hedge of net investment in foreign entities	(26)	(4)	(26)	(4)
Property revaluation	0	13	0	13
Other comprehensive income after tax	0	13	0	13
Comprehensive income for the year	1,148	1,065	1,148	1,065

Balance Sheet

		Sydbank Group		Sydbank A/S	
DKKm	Note	2015	2014	2015	2014
Assets					
Cash and balances on demand at central banks		967	629	967	629
Amounts owed by credit institutions and central banks	15	4,274	9,594	4,267	9,575
Loans and advances at fair value	16	10,183	6,891	10,183	6,891
Loans and advances at amortised cost	16	74,275	68,451	74,439	68,621
Bonds at fair value	17	26,362	36,132	26,330	36,132
Shares etc	18	1,736	1,593	1,735	1,593
Holdings in associates etc	19	163	168	163	168
Holdings in subsidiaries	20	-	-	2,281	646
Assets related to pooled plans	21	12,000	10,790	12,000	10,790
Intangible assets	22	324	334	321	334
Total land and buildings		1,012	1,071	831	887
investment property	23	-	2	-	2
owner-occupied property	24	1,012	1,069	831	885
Other property, plant and equipment	25	68	73	68	73
Current tax assets		185	47	185	48
Deferred tax assets		83	97	14	17
Assets in temporary possession		7	15	3	8
Other assets	26	11,047	16,376	11,038	16,372
Prepayments		56	55	55	55
Total assets		142,742	152,316	144,880	152,839
Shareholders' equity and liabilities					
Amounts owed to credit institutions and central banks	27	17,785	32,051	18,028	32,268
Deposits and other debt	28	79,900	73,922	81,823	74,224
Deposits in pooled plans		12,009	10,796	12,009	10,796
Bonds issued at amortised cost	29	3,727	3,741	3,727	3,741
Other liabilities	30	15,440	18,840	15,414	18,839
Deferred income		4	4	4	4
Total liabilities		128,865	139,354	131,005	139,872
Provisions	31	320	266	318	271
Subordinated capital	32	2,130	1,385	2,130	1,385
Shareholders' equity:					
Share capital		742	742	742	742
Revaluation reserves		79	90	79	90
Other reserves:					
Reserves according to articles of association		425	425	425	425
Reserve for net revaluation according to the equity method		13	10	13	10
Retained earnings		9,355	9,508	9,355	9,508
Proposed dividend etc		813	536	813	536
Total shareholders' equity		11,427	11,311	11,427	11,311
Total shareholders' equity and liabilities		142,742	152,316	144,880	152,839

Statement of Changes in Equity

Sydbank Group

DKK m	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend etc	Total
Shareholders' equity at 1 Jan 2015	742	90	425	10	9,508	536	11,311
Profit for the period				3	332	813	1,148
Other comprehensive income							
Translation of foreign entities					26		26
Hedge of net investment in foreign entities					(26)		(26)
Property revaluation		(11)			11		-
Total other comprehensive income	-	(11)	-	-	11	-	-
Comprehensive income for the year	-	(11)	-	3	343	813	1,148
Transactions with owners							
Purchase of own shares					(2,225)		(2,225)
Sale of own shares					1,722		1,722
Dividend etc paid						(536)	(536)
Dividend, own shares					7		7
Total transactions with owners	-	-	-	-	(496)	(536)	(1,032)
Shareholders' equity at 31 Dec 2015	742	79	425	13	9,355	813	11,427
Shareholders' equity at 1 Jan 2014	742	77	425	3	8,986	4	10,237
Profit for the period				7	509	536	1,052
Other comprehensive income							
Translation of foreign entities					4		4
Hedge of net investment in foreign entities					(4)		(4)
Property revaluation		13					13
Total other comprehensive income	-	13	-	-	-	-	13
Comprehensive income for the year	-	13	-	7	509	536	1,065
Transactions with owners							
Purchase of own shares					(1,026)		(1,026)
Sale of own shares					1,039		1,039
Dividend etc paid						(4)	(4)
Dividend, own shares							-
Total transactions with owners	-	-	-	-	13	(4)	9
Shareholders' equity at 31 Dec 2014	742	90	425	10	9,508	536	11,311

DKKm	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend etc	Total
Shareholders' equity at 1 Jan 2015	742	90	425	10	9,508	536	11,311
Profit for the period				3	332	813	1,148
Other comprehensive income							
Translation of foreign entities					26		26
Hedge of net investment in foreign entities					(26)		(26)
Property revaluation		(11)			11		-
Total other comprehensive income	-	(11)	-	-	11	-	-
Comprehensive income for the year	-	(11)	-	3	343	813	1,148
Transactions with owners							
Purchase of own shares					(2,225)		(2,225)
Sale of own shares					1,722		1,722
Dividend etc paid						(536)	(536)
Dividend, own shares					7		7
Total transactions with owners	-	-	-	-	(496)	(536)	(1,032)
Shareholders' equity at 31 Dec 2015	742	79	425	13	9,355	813	11,427
Shareholders' equity at 1 Jan 2014	742	77	425	3	8,986	4	10,237
Profit for the period				7	509	536	1,052
Other comprehensive income							
Translation of foreign entities					4		4
Hedge of net investment in foreign entities					(4)		(4)
Property revaluation		13					13
Total other comprehensive income	-	13	-	-	-	-	13
Comprehensive income for the year	-	13	-	7	509	536	1,065
Transactions with owners							
Purchase of own shares					(1,026)		(1,026)
Sale of own shares					1,039		1,039
Dividend etc paid						(4)	(4)
Dividend, own shares							-
Total transactions with owners	-	-	-	-	13	(4)	9
Shareholders' equity at 31 Dec 2014	742	90	425	10	9,508	536	11,311

* Reserves according to the Articles of Association are identical to the undistributable savings bank reserve in accordance with Article 4 of the Articles of Association.

The share capital comprises 74,249,999 shares at a nominal value of DKK 10 or a total of DKK 742.5m. The Bank has only one class of shares as all shares carry the same rights.

Cash Flow Statement

DKKm	Sydbank Group	
	2015	2014
Operating activities		
Pre-tax profit for the year	1,473	1,329
Taxes paid	(427)	(90)
Adjustment for non-cash operating items:		
Profit/(Loss) on holdings in associates	(5)	(9)
Amortisation and depreciation of intangible assets and property, plant and equipment	97	96
Impairment of loans and advances/guarantees	311	692
Other non-cash operating items	67	100
	1,516	2,118
Changes in working capital:		
Credit institutions and central banks	(7,080)	(205)
Trading portfolio	9,627	2,763
Other financial instruments at fair value	476	211
Loans and advances	(9,427)	(4,557)
Deposits	5,978	3,895
Other assets/liabilities	1,424	(3,769)
Cash flows from operating activities	2,514	456
Investing activities		
Sale of holdings in associates	13	1
Purchase of intangible assets	(10)	2
Purchase of property, plant and equipment	(69)	(70)
Sale of property, plant and equipment	56	72
Cash flows from investing activities	(10)	5
Financing activities		
Purchase and sale of own holdings	(503)	13
Dividends etc	(529)	(4)
Raising/redemption of subordinated capital	745	(412)
Issue/redemption of bonds	(14)	(2,722)
Cash flows from financing activities	(301)	(3,125)
Cash flows for the year	2,203	(2,664)
Cash and cash equivalents at 1 Jan	2,285	4,949
Cash flows for the year (changes during the year)	2,203	(2,664)
Cash and cash equivalents at 31 Dec	4,488	2,285
Cash and cash equivalents at 31 Dec		
Cash and balances on demand at central banks	967	629
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	3,521	1,656
Cash and cash equivalents at 31 Dec	4,488	2,285

Notes

Note 1 Accounting policies

Basis of preparation

The consolidated financial statements of Sydbank are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the parent, Sydbank A/S, are prepared in compliance with the Danish Financial Business Act, including the Danish executive order on financial reporting of credit institutions and brokerage firms etc, which is in compliance with the provisions on recognition and measurement according to IFRS apart from the measurement of holdings in subsidiaries and associates at equity value.

Furthermore the Annual Report is prepared in compliance with additional Danish disclosure requirements for annual reports of listed financial companies.

On 24 February 2016 the Board of Directors and the Group Executive Management reviewed and approved the 2015 Annual Report of Sydbank A/S. The Annual Report will be submitted for adoption by the AGM on 17 March 2016.

New accounting policies

The following amendments to IFRS have been implemented effective as from 1 January 2015:

- Amendments to IAS 19 in relation to defined benefit plans
- Amendments to different standards pursuant to Annual Improvements to IFRSs.

Sydbank's implementation of the new or amended standards has not had any effect on recognition and measurement in the consolidated financial statements and consequently it has no impact on EPS Basic.

Apart from the above the accounting policies applied are consistent with those adopted in the previous year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

On initial recognition assets and liabilities are measured at fair value. Subsequent measurement of assets and liabilities is as described for each item below.

Recognition and measurement take into account gains, losses and risks arising before the presentation of the financial statements and which confirm or invalidate circumstances existing at the balance sheet date.

Income is recognised in the income statement as earned. Costs incurred to earn the year's income are recognised in the income statement. Value adjustments of financial assets, financial liabilities and derivatives are recognised in the income statement apart from value adjustments of derivatives used to provide foreign currency hedge of net investments in foreign subsidiaries and associates. The latter value adjustments are recognised in the statement of comprehensive income. Purchase and sale of financial instruments are recognised on the settlement date.

Significant recognition and measurement principles

Consolidated financial statements

The consolidated financial statements include the parent, Sydbank A/S, as well as subsidiaries in which Sydbank A/S exercises control over financial and operating policies. Group holdings and enterprises ([Note 43](#)) lists the consolidated entities.

The consolidated financial statements combine the financial statements of the parent and the individual subsidiaries in accordance with the Group's accounting policies, in which intra-group income, costs, shareholdings, balances and dividends as well as realised and unrealised gains on intragroup transactions have been eliminated.

Entities acquired are included from the acquisition date.

The assets (including identifiable intangible assets), liabilities and contingent liabilities of entities acquired are recognised at the acquisition date at fair value in accordance with the acquisition method.

Where the cost of acquisition exceeds the fair value of the net assets of the entity acquired, the difference is recognised as goodwill. Goodwill is recognised in the functional currency of the entity acquired at the exchange rate on the date of transaction. Where the fair value of net assets exceeds the cost of acquisition (negative goodwill), the difference is recognised as income in the income statement at the acquisition date. Costs in connection with acquisition are recognised in the income statement when incurred.

Entities disposed of are included until the transfer date.

Notes

Note 1 Accounting policies – continued

Foreign currency translation

The consolidated financial statements are presented in DKK, the functional currency of the parent. Transactions in foreign currencies are translated at the exchange rate on the date of transaction. Balances in foreign currencies are translated at the closing rate.

Offsetting

The Group sets off assets and liabilities only when the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income criteria

Income and expenses, including interest income and interest expense, are accrued over the periods to which they relate and are recognised in profit or loss at the amounts relevant to the accounting period. Fees and commission concerning loans and advances and amounts owed are recognised in the carrying amounts of loans and advances and amounts owed and are recognised in profit or loss over the life of the loans as part of the effective interest rate. Guarantee commission is recognised as income over the life of the guarantees. Income for implementing a given transaction, including securities fees and payment service fees, is recognised as income when the transaction has been implemented.

Guarantee scheme

Contributions to the Deposit Guarantee Fund and the Resolution Fund, for instance to cover losses related to the winding-up or bankruptcy of banks, are recognised under "Other operating expenses".

Repo and reverse transactions

Securities sold under agreements to repurchase the same remain on the balance sheet. Consideration received is recognised as a debt and the difference between selling and buying prices is recognised over the life as interest in the income statement. Gains or losses on securities are recognised in the income statement.

Securities bought under agreements to resell the same are not recognised in the balance sheet and gains or losses on securities are not recognised in the income statement. Consideration paid is recognised as a receivable and the difference between buying and selling prices is recognised over the life as interest in the income statement.

Repo and reverse transactions are recognised and measured at fair value as they are regarded as an integral part of the trading portfolio and form part of ongoing risk management and determination of gains thereon.

Amounts owed and loans and advances

Initial recognition of amounts owed by credit institutions and central banks as well as loans and advances is at fair value plus transaction costs and less origination fees received.

Subsequent measurement of amounts owed by credit institutions etc and loans and advances that are not reverse transactions is at amortised cost less impairment charges.

Amounts owed by credit institutions etc and loans and advances at amortised cost are all assessed to determine whether objective evidence of impairment exists. Amounts owed and loans and advances of a significant size are all assessed individually to determine whether objective evidence of impairment exists.

There is objective evidence of impairment of amounts owed and loans and advances if one or more of the following events have occurred:

- Considerable financial difficulties on the part of the debtor.
- Breach of contract by the debtor, for instance by way of failure to fulfil the payment obligations as regards instalments and interest.
- Terms granted to the debtor by the Group which would otherwise not have been considered if the debtor had not been experiencing financial difficulties.
- The likelihood of bankruptcy or other financial restructuring on the part of the debtor.

Impairment charges are determined individually when there is objective evidence of impairment at an individual level.

Individually assessed loans and advances without impairment as well as other loans and advances are subsequently assessed at portfolio level. If there is objective evidence of impairment at portfolio level an impairment test is carried out where the expected future cash flows are estimated on the basis of the historical loss experience adjusted for the effects of prevailing conditions. The impairment charge for the portfolio is calculated via a ratings based approach where loans and advances are grouped according to client ratings at the balance sheet date. Where migration to lower rating categories is registered, impairment charges are made on a net basis.

Note 1 Accounting policies – continued

Impairment charges calculated via the ratings based approach are supplemented by management's estimates and the effect of events unaccounted for by the approach.

Impairment charges are determined as the difference between amortised cost and the discounted value of expected future cash flows, including the realisable value of any collateral.

Individual impairment charges are determined on the basis of the most likely outcome of the cash flows. Any subsequent increase in the discounted value of expected future cash flows will result in reversal in full or in part of the impairment charge. Determination of the discounted value is based on the original effective interest rate as regards fixed-rate loans and advances and the current effective interest rate as regards floating-rate loans and advances.

Interest is recognised as income on the basis of the impaired value from the time when impairment charges for loans and advances are recognised.

Leasing

Leased assets in connection with finance leases in which the Group is the lessor are recognised under loans and advances at the net investment in the leases less amortisation (repayment) which is computed according to the annuity method over the lease term. Income from the leased assets is recognised on the basis of the agreed effective interest rate of the leases and is recognised in profit or loss under "Interest income". Sales proceeds from leased assets are recognised under "Other operating income".

Bonds and shares etc

Bonds and shares etc are recognised and measured at fair value. The fair value option is applied to shares outside the trading portfolio as they form part of a portfolio which is managed and measured at fair value. The fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing parties.

In an active market, fair value is expressed by quoted prices or alternatively by a model value, based on recognised models and observable market data, which corresponds to fair value.

In a less active or inactive market, fair value is a model value based on recognised models and observable market data for similar assets.

A limited number of bonds and shares are measured on the basis of models and available data that only to a limited extent are observable market data.

Determination of fair value of unlisted shares and other holdings is based on available information about trades etc or alternatively on expected cash flows. If a reliable fair value cannot be determined, measurement will be at cost less any impairment charges.

Purchase and sale of securities are recognised on the settlement date.

Holdings in subsidiaries

Subsidiaries are entities in which the parent has control. Holdings in subsidiaries are recognised and measured in the financial statements of the parent according to the equity method. The proportionate share of the profit or loss after tax of the entities is recognised under "Profit/(Loss) on holdings in associates and subsidiaries".

Holdings in associates

Associates are entities in which the Group has holdings and significant influence but not control. Holdings in associates are recognised and measured according to the equity method. The proportionate share of the profit or loss after tax of the entities is recognised under "Profit/(Loss) on holdings in associates and subsidiaries".

Derivatives and hedge accounting

Derivatives are recognised and measured at fair value. Positive market values are recognised under "Other assets". Negative market values are recognised under "Other liabilities".

Market value adjustment of derivatives concluded for the purpose of hedging the interest rate risk of fixed-rate loans and advances generates immediate asymmetry in the financial statements as fixed-rate loans and advances are measured at amortised cost. The macro hedging rules (fair value hedging) of IFRS eliminate this asymmetry. The calculated change in the fair value of the loans and advances effectively hedged is recognised in the balance sheet under "Other assets" or under "Other liabilities" and is recognised in the income statement under "Market value adjustments".

Pooled plans

All pooled assets and deposits are recognised in separate balance sheet items. Return on pooled assets and distribution to holders of pooled assets are recognised under "Market value adjustments". The assets in which holders' savings are placed are measured at fair value.

The portfolio of shares and bonds issued by the Group has been reduced in equity and bonds issued, respectively. Consequently "Deposits in pooled plans" exceed "Assets related to pooled plans".

Notes

Note 1 Accounting policies – continued

Intangible assets

Intangible assets concern the value of customer relationships acquired in connection with acquisitions as well as goodwill.

The value of customer relationships acquired is measured at cost less accumulated amortisation and impairment charges. The value of customer relationships acquired is amortised over the expected useful life of 5-15 years.

Initial recognition of goodwill is at cost in the balance sheet as described under acquisitions. Subsequent measurement of goodwill is at cost less accumulated impairment charges. Goodwill is not amortised. Goodwill is tested for impairment annually and is written down to its recoverable amount through profit or loss if the carrying amount is higher. The recoverable amount is determined as the present value of the future net cash flows expected to be derived from the activity to which goodwill is related.

The determination of cash-generating units follows the management structure and internal financial management. Management assesses the lowest level of cash-generating units to which the carrying amount of goodwill may be allocated.

Impairment charges for goodwill are not reversed.

Investment property

Investment property is property mainly held to earn rental income and/or for capital appreciation.

Investment property is recognised on acquisition at cost and subsequent measurement is at fair value. Fair value adjustments as well as rental income are recognised in the income statement under "Market value adjustments" and "Other operating income", respectively.

The fair value of investment property is determined on the basis of a systematic assessment of the expected return on the property. Investment property is not depreciated.

Owner-occupied property

Owner-occupied property is property mainly used by the Group to operate its banking business.

Owner-occupied property is recognised on acquisition at cost and subsequently carried at a revalued amount corresponding to the fair value at the date of revaluation less depreciation and impairment charges. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any decrease in the carrying amount as a result of the revaluation of owner-occupied property is charged to the income statement except where the decrease reverses previously recognised increases. Any increase as a result of the revaluation of owner-occupied property is recognised in other comprehensive income and transferred to revaluation reserves under equity except where an increase reverses previously recognised impairment charges as regards the property in question. Owner-occupied property is depreciated on a straight-line basis over the expected useful life of 50 years, taking into account the expected residual value at the expiry of the useful life.

As regards ongoing measurement of land and buildings, the value of the individual property is measured on the basis of the return method.

The underlying assumptions, return and rate of return are assessed by external valuers.

Depreciation and impairment charges are recognised in the income statement under "Depreciation and impairment of property, plant and equipment".

Other property, plant and equipment

Other property, plant and equipment is measured at cost less depreciation and impairment charges. Depreciation is provided on a straight-line basis over the expected useful life, typically 3-5 years. Leasehold improvements are depreciated over the term of the lease.

Depreciation and impairment charges are recognised in the income statement under "Depreciation and impairment of property, plant and equipment".

Other assets

This item includes assets not recognised under other asset items, eg positive market values of spot transactions and derivatives, cash collateral provided in connection with CSA agreements as well as interest receivable.

Dividend

Proposed dividend is recognised as a liability at the date of adoption by the AGM. Proposed dividend for the year is recognised as a separate item in equity until adoption.

Own shares

Consideration paid or received in connection with the Group's purchase and sale of Sydbank shares is recognised directly in equity.

Note 1 Accounting policies – continued

Other liabilities

This item includes negative market values of spot transactions and derivatives, cash collateral received in connection with CSA agreements, negative portfolios in connection with reverse transactions, interest payable as well as provisions for employee benefits.

Negative portfolios in connection with reverse transactions arise when the Group resells assets received as collateral in connection with reverse transactions. The assets received are not recognised in the balance sheet and any resale will therefore result in a negative portfolio.

Wages and salaries, payroll tax, social security contributions as well as paid absences are recognised in the financial year in which the related service has been rendered by the Group's employees. Costs relating to the Group's long-term employee benefits are accrued and follow the service rendered by the employees in question. Pension contributions are paid into the employees' pension plans on a continuing basis and are charged to the income statement – with the exception of two contracts where the capitalised value of the pension commitments has been provided for. Changes in the capitalised value of pension commitments are recognised in the income statement on an ongoing basis.

Provisions

Provisions include provisions for guarantees, provisions for onerous contracts as well as legal actions etc. Initial recognition of financial guarantees is at fair value which is often equal to the guarantee premium received. Subsequent measurement of guarantees is at the higher of the guarantee premium received amortised over the guarantee period and any provision made.

A provision for a guarantee or an onerous contract is recognised if claims for payment under the guarantee or contract are probable and the size of the liability can be measured reliably. Provisions are based on management's best estimates of the size of the liabilities. Measurement of provisions includes discounting when significant.

Financial liabilities

Deposits, bonds issued, subordinated capital and amounts owed to credit institutions etc are recognised initially at fair value less transaction costs incurred.

Subsequent measurement of deposits, bonds issued, subordinated capital and amounts owed to credit institutions etc that

are not repo transactions is at amortised cost using the effective interest rate method whereby the difference between net proceeds and nominal value is recognised in the income statement under "Interest expense" over the loan period.

Other liabilities are measured at net realisable value.

Assets in temporary possession

Assets in temporary possession include property, plant and equipment and disposal groups held for sale. Assets are classified as being in temporary possession when their carrying amount will be recovered principally through a sale transaction within 12 months in accordance with a formal plan. Assets or disposal groups in temporary possession are measured at the lower of the carrying amount and fair value less costs to sell. Assets are not depreciated or amortised from the time when they are classified as being in temporary possession.

Impairment losses arising at initial classification as assets being in temporary possession and gains or losses at subsequent measurement at the lower of the carrying amount and fair value less costs to sell are recognised in the income statement under the items they concern.

Tax

Danish consolidated entities are subject to compulsory joint taxation. The Group has not opted for international joint taxation. Sydbank A/S has been appointed the management company of the joint taxation entity. Corporation tax on income subject to joint taxation is fully distributed on payment of joint taxation contributions between the Danish consolidated entities. Tax for the year includes tax on taxable income for the year, adjustment of deferred tax as well as adjustment of prior year tax charges. Tax for the year is recognised in the income statement as regards the elements attributable to profit for the year, in other comprehensive income as regards the elements attributable thereto and directly in equity as regards the elements attributable to items recognised directly in equity.

Current tax liabilities and current tax assets are recognised in the balance sheet as calculated tax on taxable income for the year adjusted for tax on prior year taxable income as well as for tax paid on account.

Provisions for deferred tax are based on the balance sheet liability method and include temporary differences between the carrying amounts and the tax base of the balance sheets of each consolidated entity as well as tax loss carryforwards that are

Notes

Note 1 Accounting policies – continued

expected to be used. Provisions for deferred tax are made to cover retaxation of previously deducted tax losses in the foreign subsidiary which has withdrawn from joint taxation. Deferred tax is measured on the basis of the tax rules and tax rates that, according to the rules in force at the balance sheet date, are applicable at the time the deferred tax is expected to crystallise as current tax.

Changes in deferred tax due to changes in tax rates are recognised in the income statement.

Fair value measurement

The Group uses the concept of fair value in connection with certain disclosure requirements as well as for recognition and measurement of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Fair value is a market-based measurement, not an entity-specific measurement. The entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result the entity's intention to hold an asset or to settle a liability is not considered when measuring fair value.

Fair value measurement is based on the principal market. If there is no principal market the most advantageous market is used as a basis, ie the market achieving the highest price for the asset or liability less transaction costs.

Fair value measurement is based to the widest extent possible on market values in active markets or alternatively on values derived from observable market data.

In so far as such observations are not available or cannot be used without significant modifications, acknowledged valuation techniques and reasonable estimates are used as the basis of fair values.

Cash flow statement

The cash flow statement presents the cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is presented using the indirect method based on profit before tax.

The cash flow effect of the acquisition and disposal of entities is reported separately under cash flows from investing activities.

The cash flow statement recognises cash flows concerning entities acquired from the acquisition date and cash flows concerning entities disposed of until the transfer date.

Cash flows from operating activities are determined as profit before tax for the year adjusted for non-cash operating items, taxes paid as well as changes in working capital.

Cash flows from investing activities include purchase and sale of property, plant and equipment, intangible assets as well as holdings in associates.

Cash flows from financing activities include dividends paid as well as changes in equity, subordinated capital and bonds issued.

Cash and cash equivalents comprise cash and balances on demand at central banks, fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies as well as unencumbered certificates of deposit.

Segment reporting

The Group consists of a number of business units and central joint functions. The business units are segmented according to product and service characteristics and comprise Banking, Asset Management, Sydbank Markets, Treasury and Other. Further details of the business units are provided in [note 4](#).

Segment reporting as regards the business units complies with the Group's accounting policies as regards recognition and measurement. 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.

The following performance measures are used in connection with the Group's internal financial management, see segment information stated in [note 4](#).

Core income

Core income comprises income from clients serviced by the Group's branch network, including commission, investment fund commission, custody account fees and asset management.

Trading income

Trading income only comprises income from clients affiliated with Sydbank Markets as well as income from flows and market-making as well as related position-taking.

Note 1 Accounting policies – continued

Core earnings before impairment

Core earnings before impairment charges for loans and advances etc represent core income and trading income less costs relating to these activities.

Impairment of loans and advances etc

Impairment of loans and advances etc represent impairment charges for bank loans and advances, provisions for guarantees as well as credit valuation adjustment of derivatives.

Core earnings

Core earnings represent core income and trading income less costs and impairment charges for loans and advances etc relating to these activities.

Investment portfolio earnings

Investment portfolio earnings represent the return on the portfolios of shares, bonds, derivatives and holdings managed by Treasury, a department within the business unit Sydbank Markets. Investment portfolio earnings are less funding charges and costs.

Forthcoming standards and interpretations

The International Accounting Standards Board (IASB) has issued the following new International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) which are not mandatory for the Group in connection with the preparation of the 2015 financial statements. These include IFRS 9, 14 and 15 as well as amendments to IAS 16, 27, 28, 38, 39, IFRS 7, 10, 11 and 12. None of these have been adopted by the EU.

The Group does not plan to implement the new standards and interpretations until they become mandatory. The analysis of the expected impact of the implementation of IFRS 9 has not yet been completed, see below. The other new standards and interpretations are not expected to have any significant impact on the Group's financial reporting.

IFRS 9 Financial Instruments, which will replace IAS 39, will change the classification and the resulting measurement of financial assets and financial liabilities.

The standard introduces a more logical approach for the classification of financial assets, driven by the entity's business model and the characteristics of the underlying cash flows. In addition a new impairment model for all financial assets will be introduced.

The expected loss model will require recognition of expected losses in connection with initial recognition as well as subsequently. Under the current model an impairment charge is recognised only when there is evidence of loss (incurred loss model).

Finally new hedge accounting rules will be introduced which compared with the existing rules will make it simpler from an accounting perspective to reflect entities' business hedging strategies.

The analysis of the impact in connection with the transition to the expected loss model has not been completed and consequently the impact cannot yet be estimated. The standard is expected to become mandatory for financial years beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers, which will replace the current revenue standards (IAS 11 and 18) and interpretations, introduces a new model for the recognition and measurement of revenue concerning sales contracts with customers.

The new model is based on a five-step process to be followed as regards all sales contracts with customers to determine when and how revenue is to be recognised in the income statement. The Group expects that the standard will be of limited significance to the Group. The standard is expected to become mandatory for financial years beginning on or after 1 January 2017.

Notes

Note 2 Accounting estimates and judgements

Management's estimates and judgements are based on assumptions considered reasonable by management but which by their nature are uncertain and unpredictable. These assumptions may be incomplete or inaccurate and unexpected future events or circumstances may occur. Consequently it is by nature difficult to make estimates and judgements and since they also involve customer relationships and other counterparties they will be subject to uncertainty. It may be necessary to change previous estimates as a result of changes in the basis of previous estimates or because of new knowledge or subsequent events.

The areas where critical estimates and judgements have the most significant effect on the financial statements are:

- fair value of financial instruments
- measurement of loans and advances
- fair value of owner-occupied property
- acquisitions.

Fair value of financial instruments

The Group measures a number of financial instruments at fair value, including all derivatives as well as shares and bonds.

Judgements are made in connection with the determination of the fair value of financial instruments in the following areas:

- Choice of valuation technique
- Determination of when available quoted prices do not represent fair value
- Calculation of fair value adjustments to take into account relevant risk factors such as credit risk, model risk and liquidity risk
- Assessment of which market parameters must be observed
- Estimate of future cash flows and required rates of return as regards unlisted shares.

In these situations decisions are based on an assessment in accordance with the Group's accounting policies.

As part of its operations the Group has acquired strategic holdings. Strategic holdings are measured at fair value on the basis of available information on trades in the relevant entity's holdings or alternatively a valuation model based on recognised methods and current market data, including an estimate of projected future earnings and cash flows. Measurement will also be influenced by co-ownership, trade and shareholders' agreements etc.

As regards financial instruments where measurement is only to a limited extent based on observable market data, measurement is affected by estimates. This is the case as regards for instance unlisted shares and certain bonds for which there is no active market. Measurement of illiquid bonds is affected by the assumption of the relevant credit spread.

Reference is made to [Note 1](#) Accounting policies and to [Note 38](#) Fair value disclosure for a more detailed description. Financial instruments measured on the basis of unobservable inputs represent DKK 1,493m, equivalent to 1.0% of the Group's assets at the end of 2015.

Measurement of loans and advances at amortised cost

Impairment charges for loans and advances are made to take into account any impairment after initial recognition. Impairment charges are recorded as a combination of individual and collective impairment charges and are subject to a number of estimates, including which loans and advances or portfolios of loans and advances are subject to objective evidence of impairment.

Impairment testing of individual loans and advances involves estimates of conditions associated with considerable uncertainty. The assessment involves estimates as regards the most likely future cash flow which the client is expected to generate.

Loans and advances for which there is no objective evidence of impairment or which are not subject to individual impairment charges form part of a group for which impairment is assessed at portfolio level.

The most important aspect of impairment testing as regards a group of loans and advances is to identify events that provide objective evidence of losses suffered by the group. The assessment of the present value of cash flows generated by clients in the group is associated with uncertainty when historical data are used to mirror the current situation.

Loans and advances with similar credit risk characteristics are grouped according to the Bank's rating model. Clients are rated on an ongoing basis and clients whose credit risk characteristics are estimated to have changed are assigned to new rating categories on an ongoing basis. Consequently clients' migration to lower rating categories is an indicator of deterioration.

Note 2 Accounting estimates and judgements – continued

If on the balance sheet date the Group is aware that events unaccounted for by the models have occurred that either aggravate or improve the future payment performance, adjustments are made by exercising a qualified managerial estimate.

To mitigate the risk on individual exposures in the Group, collateral is accepted mainly by way of charges over physical assets, securities and rolling stock, of which mortgages on real property represent the most significant form of collateral. The valuation of collateral involves significant managerial estimates.

Reference is made to the notes on risk management for a detailed description of impairment charges for loans and advances. Loans and advances constitute 59.2% of the Group's assets at the end of 2015.

Fair value of owner-occupied property

The return method is used to measure owner-occupied property at fair value.

Future cash flows are based on the Group's best estimate of the future income or loss from ordinary activities and required rate of return as regards each property taking into account factors such as location and condition. An external assessment supporting this estimate is obtained. A number of these assumptions and estimates have a significant impact on calculations and include parameters such as inflation, developments in rent, costs and required rates of return. Changes in these parameters as a result of changed market conditions affect the expected returns and consequently the fair value of owner-occupied property.

Reference is made to [Note 24](#) Owner-occupied property.

Acquisitions

All identifiable assets and liabilities are measured at fair value at the acquisition date. Determination of fair value of assets and liabilities in connection with acquisitions is subject to a number of significant estimates. Future cash flows from the entity acquired are estimated. The present value of future cash flows is affected by several factors, including discounting rates, real economic developments, customer developments and customer behaviour. Fair value is determined on the basis of for instance market value, present value, estimates or the consideration that an independent third party would pay or demand.

Notes

Note 3 Solvency

The Group uses the following methods and approaches to calculate solvency:

Credit risk outside trading portfolio, retail clients	Advanced IRB
Credit risk outside trading portfolio, corporate clients	Foundation IRB
Credit risk outside trading portfolio, financial counterparties	Standardised Approach
Counterparty risk	Mark-to-Market Method
Valuation of collateral	Financial Collateral Comprehensive Method
Market risk	Standardised Approach
Operational risk	Standardised Approach
Credit valuation adjustment	Standardised Approach

The Group's portfolio of equity investments primarily comprises strategic sector shares etc and in the Group's solvency calculation it is included under other exposures incl credit valuation adjustment.

Various types of collateral are used to mitigate the risk of the Group's lending portfolio. The most significant types of collateral comprise charges and guarantees.

Charges include deposit accounts and financial assets in the form of bonds and shares. The Group ensures that the items charged are separate from clients' right of disposal and that the charge is of legal validity. Valuation is ensured via the requirements of the Financial Collateral Comprehensive Method according to the Capital Requirements Regulation and Directive (CRR/CRD IV) which reduces the value of collateral on the basis of issuer, maturity and liquidity.

The Group has concluded netting agreements with all significant counterparties.

Sydbank Group		
DKKm	2015	2014
Common Equity Tier 1 capital ratio	14.5	13.9
Tier 1 capital ratio	15.9	15.5
Capital ratio	17.6	16.0
Total capital:		
Shareholders' equity	11,427	11,311
Proposed dividend	(813)	(536)
Intangible assets and capitalised deferred tax assets	(349)	(373)
Significant investments in financial sector	(413)	(301)
Common Equity Tier 1 capital	9,852	10,101
Additional Tier 1 capital	973	1,108
Tier 1 capital	10,825	11,209
Tier 2 capital	908	112
Difference between expected losses and accounting impairment charges	251	275
Total capital	11,984	11,596

Note 3 Solvency – continued

Sydbank Group

DKKm	2015	2014
Credit risk	44,931	49,417
Market risk	8,876	8,003
Operational risk	8,173	8,575
Other exposures incl credit valuation adjustment	5,975	6,472
Total risk exposure	67,955	72,467
 Pillar I capital requirement (8%)	 5,436	 5,797

Note 4 Segment reporting

Operating segments

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

Banking serves all types of retail and corporate clients.

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

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

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

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

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

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

Sydbank Group

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments 2015						
Core income	4,034	183	112	-	-	4,329
Trading income	-	-	215	-	-	215
Total income	4,034	183	327	-	-	4,544
Costs, core earnings	2,461	55	100	-	59	2,675
Impairment of loans and advances etc	316	-	-	-	-	316
Core earnings	1,257	128	227	-	(59)	1,553
Investment portfolio earnings	2	-	-	(82)	-	(80)
Profit before non-recurring items	1,259	128	227	(82)	(59)	1,473
Non-recurring items, net	-	-	-	-	-	-
Profit before tax	1,259	128	227	(82)	(59)	1,473
Depreciation and impairment of property, plant and equipment	90	2	4	-	1	97
Full-time staff at 31 Dec	1,899	38	78	4	25	2,044

Notes

Note 4 Segment reporting – continued

Sydbank Group

DKKmn	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments 2014						
Core income	4,052	174	93	-	-	4,319
Trading income	-	-	196	-	-	196
Total income	4,052	174	289	-	-	4,515
Costs, core earnings	2,388	53	117	-	61	2,619
Impairment of loans and advances etc	707	-	-	-	-	707
Core earnings	957	121	172	-	(61)	1,189
Investment portfolio earnings	(15)	-	-	91	-	76
Profit before non-recurring items	942	121	172	91	(61)	1,265
Non-recurring items, net	-	-	-	-	64	64
Profit before tax	942	121	172	91	3	1,329
Depreciation and impairment of property, plant and equipment	88	2	4	-	2	96
Full-time staff at 31 Dec	1,932	40	85	4	40	2,101

Under IFRS, revenues from transactions with a single client of 10% or more must be disclosed.

The Sydbank Group has no such clients.

The Sydbank Group's internal financial reporting is not made on the basis of products and services. Reference is made to [notes 5](#) and [8](#) for the distribution of interest income as well as fee and commission income.

Sydbank Group

DKKmn	2015		2014	
	Total income	Assets	Total income	Assets
Geographical segments				
Denmark	4,359	1,508	4,331	1,586
Abroad	185	59	184	60
Total	4,544	1,567	4,515	1,646

Income from external clients is broken down by organisational affiliation within the Sydbank Group. Assets, comprising only intangible assets, land and buildings, other property, plant and equipment as well as holdings in associates, are broken down by location.

The geographical breakdown of the Group's income and assets is disclosed in compliance with IFRS and does not reflect the Group's management structure. Management is of the opinion that operating segmentation provides a more informative description of the Group's activities.

Note 5 Interest income

DKKm	Sydbank Group		Sydbank A/S	
	2015	2014	2015	2014
Reverse transactions with credit institutions and central banks	(32)	(4)	(32)	(4)
Amounts owed by credit institutions and central banks	(8)	15	(8)	15
Reverse loans and advances	(24)	6	(24)	6
Loans and advances and other amounts owed	2,732	2,940	2,736	2,944
Bonds	289	492	288	492
Total derivatives	(119)	(112)	(119)	(112)
comprising:				
Foreign exchange contracts	93	98	93	98
Interest rate contracts	(212)	(210)	(212)	(210)
Other contracts	0	0	0	0
Other interest income	8	4	8	4
Total	2,846	3,341	2,849	3,345
Fair value, designated at initial recognition	(56)	2	(56)	2
Fair value, held for trading	170	380	169	380
Assets recognised at amortised cost	2,732	2,959	2,736	2,963
Total	2,846	3,341	2,849	3,345

The Group's cash resources are primarily placed in Danish mortgage bonds. The interest rate risk concerning these positions has been reduced via derivatives. As a result the Group's external income statement is affected in terms of interest income and the market value adjustment of bonds and derivatives. The same applies to the Group's position-taking as regards bonds as well as shares. The breakdown by income statement item does not disclose income independently and consequently these items must be regarded as one as they are in segment reporting ([Note 4](#)) as well as in the Group's financial review which also takes funding of the positions into account.

Note 6 Interest expense

Repo transactions with credit institutions and central banks	(41)	10	(41)	10
Credit institutions and central banks	22	50	22	50
Repo deposits	(4)	1	(4)	1
Deposits and other debt	265	430	266	433
Bonds issued	60	75	60	75
Subordinated capital	35	32	35	27
Other interest expense	5	1	5	1
Total	342	599	343	597
Fair value, designated at initial recognition	(45)	11	(45)	11
Liabilities recognised at amortised cost	387	588	388	586
Total	342	599	343	597

Note 7 Dividends on shares

Fair value, designated at initial recognition	33	35	33	35
Fair value, held for trading	31	8	31	7
Total	64	43	64	42

Notes

Note 8 Fee and commission income	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Securities trading and custody accounts	1,029	895	911	895
Payment services	297	289	297	289
Loan fees	159	133	159	133
Guarantee commission	110	116	110	116
Other fees and commission	307	317	307	317
Total fee and commission income	1,902	1,750	1,784	1,750
Total fee and commission expense	300	238	238	238
Net fee and commission income	1,602	1,512	1,546	1,512

Note 9 Market value adjustments

Other loans and advances and amounts owed at fair value	2	1	2	1
Bonds	(197)	406	(196)	406
Shares etc	128	291	128	291
Investment property	(1)	0	(1)	0
Foreign exchange	213	170	213	170
Derivatives	106	(476)	106	(476)
Assets related to pooled plans	163	590	163	590
Deposits in pooled plans	(163)	(592)	(163)	(592)
Other assets/liabilities	0	1	0	1
Total	251	391	252	391
Fair value, held for trading, trading portfolio	165	181	166	181
Fair value, designated at initial recognition, equity investments	86	210	86	210
Total	251	391	252	391

The Group's cash resources are primarily placed in Danish mortgage bonds. The interest rate risk concerning these positions has been reduced via derivatives. As a result the Group's external income statement is affected in terms of interest income and the market value adjustment of bonds and derivatives. The same applies to the Group's position-taking as regards bonds as well as shares. The breakdown by income statement item does not disclose income independently and consequently these items must be regarded as one as they are in segment reporting (Note 4) as well as in the Group's financial review which also takes funding of the positions into account.

Note 10 Other operating income

Rental income – real property	17	17	17	17
Other operating income	23	14	23	14
Total	40	31	40	31

Note 11 Staff costs and administrative expenses

	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Salaries and remuneration				
Group Executive Management	14	12	14	12
Board of Directors	5	4	5	4
Shareholders' Committee	2	3	2	3
Total	21	19	21	19
Staff costs				
Wages and salaries	1,247	1,260	1,232	1,260
Pensions	128	135	127	135
Social security contributions	16	17	16	17
Payroll tax	140	133	138	133
Total	1,531	1,545	1,513	1,545
Other administrative expenses				
IT	533	574	517	573
Rent etc	118	146	136	156
Marketing and entertainment expenses	82	66	73	66
Other costs	170	147	153	146
Total	903	933	879	941
Total	2,455	2,497	2,413	2,505
Audit fees				
Statutory audit	1	1	1	1
Assurance engagements	1	1	1	1
Tax consultancy	0	0	0	0
Fees for other services	0	0	0	0
Total	2	2	2	2
In addition to fees paid to the independent auditor, operating expenses have been incurred as regards the Group's Internal Audit.				
Staff				
Average number of staff (full-time equivalent)	2,154	2,209	2,134	2,209

Notes

Note 11 Staff costs and administrative expenses – continued

Sydbank Group

DKK thousand	2015	2014
Directors' remuneration incl committee fees		
Torben Nielsen (Chairman as of 12 March 2015)	846	613
Peder Damgaard (Vice-Chairman as of 12 March 2015)	582	382
Svend Erik Busk	390	383
Harry Max Friedrichsen (resigned as of 13 March 2014)	-	64
Alex Slot Hansen (member as of 13 March 2014)	316	234
Hanni Toosbuy Kasprzak (resigned as of 13 March 2014)	-	138
Erik Bank Lauridsen	397	394
Lars Mikkellaard-Jensen (member as of 12 March 2015)	270	-
Frank Møller Nielsen (member as of 12 March 2015)	259	-
Jacob Chr. Nielsen (member as of 13 March 2014)	335	195
Susanne Beck Nielsen (passed away on 12 January 2015)	65	195
Bo Normann Rasmussen (member as of 12 March 2015)	270	-
Jarl Oxlund (member as of 13 March 2014)	335	195
Anders Thoustrup (resigned as of 12 March 2015)	211	823
Steen Tophøj (resigned as of 13 March 2014)	-	64
Jan Uldahl-Jensen (resigned as of 13 March 2014)	-	64
Margrethe Weber	264	260
Total	4,540	4,004
Of which committee fees		
Audit Committee (number of members increased from three to four)	385	309
Risk Committee (number of members increased from three to four)	385	232
Remuneration Committee (four members)	209	193
Nomination Committee (number of members increased from three to four)	303	180
Corporate Governance Committee - only in 2014 (including three members from the Board of Directors)	-	180

Sydbank's Board of Directors receive a fixed fee in addition to which board committee members receive a fixed committee fee.

Note 11 Staff costs and administrative expenses – continued

Sydbank Group

DKKm	Karen Frøsig	Bjarne Larsen	Jan Svarre
Remuneration of the Group Executive Management			
2015			
Fixed remuneration	5.6	4.4	4.4
Of which fees received in connection with directorships	(0.4)	-	-
Group costs	5.2	4.4	4.4
2014			
Fixed remuneration	5.4	2.6	4.3
Of which fees received in connection with directorships	(0.3)	-	-
Group costs	5.1	2.6	4.3

The Group Executive Management receives no variable remuneration.

Group Executive Management – severance terms

Karen Frøsig, Bjarne Larsen and Jan Svarre

The notice of termination is 6 and 12 months for the Group Executive Management member and the Bank, respectively.

In respect of dismissal by the Bank, the Group Executive Management member is entitled to receive severance pay equal to 12 months' salary.

Further details about the Bank's remuneration policy are available at the Bank's website sydbank.dk/omsydbank/organisation/loenpolitik (in Danish only).

DKKm	Sydbank Group		Sydbank A/S	
	2015	2014	2015	2014
Remuneration to material risk takers and control functions				
Fixed remuneration	38.5	29.4	37.0	29.4
Variable remuneration	0.8	-	0.8	-
Total	39.3	29.4	37.8	29.4
Number of full-time staff (average)	30.6	23.3	29.8	23.3

Material risk takers and control functions only receive variable remuneration below the de minimis threshold, cf the Danish executive order on remuneration.

Notes

Note 12 Impairment of loans and advances etc	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	222	595	222	595
Write-offs	200	183	200	183
Recovered from debt previously written off	111	86	111	86
Impairment of loans and advances etc	311	692	311	692
Impairment and provisions at 31 Dec (allowance account)				
Individual impairment and provisions	3,687	4,111	3,687	4,111
Collective impairment and provisions	495	301	495	301
Impairment and provisions at 31 Dec	4,182	4,412	4,182	4,412
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	4,111	4,164	4,111	4,163
Exchange rate adjustment	0	0	0	0
New individual impairment charges	1,223	1,883	1,223	1,883
Reversed individual impairment charges	984	1,266	984	1,265
Other movements	-	2	-	2
Impairment charges previously recorded, now finally written off	663	672	663	672
Impairment and provisions at 31 Dec	3,687	4,111	3,687	4,111
Individual impairment of loans and advances	3,569	3,996	3,569	3,996
Individual provisions for guarantees	118	115	118	115
Impairment and provisions at 31 Dec	3,687	4,111	3,687	4,111
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	301	137	301	137
Impairment and provisions during the year	194	164	194	164
Impairment and provisions at 31 Dec	495	301	495	301
Sum of loans and advances and amounts owed subject to collective impairment and provisions	6,810	4,930	6,810	4,930
Collective impairment and provisions	495	301	495	301
Loans and advances and amounts owed after collective impairment and provisions	6,315	4,629	6,315	4,629
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	6,273	6,864	6,273	6,864
Impairment of individually impaired loans and advances	3,569	3,996	3,569	3,996
Balance after impairment of individually impaired loans and advances	2,704	2,868	2,704	2,868
Accrued interest concerning individually and collectively impaired loans and advances represents DKK 641m for 2015 (2014: DKK 614m).				

Note 12 Impairment of loans and advances etc – continued

Sydbank Group

DKKm	Allowance account		Impairment of loans/ advances etc	
	2015	2014	2015	2014
Industry breakdown of the Group's allowance account and impairment of loans and advances recognised in the income statement				
Corporate lending				
Agriculture, hunting, forestry and fisheries	1,027	976	111	76
Manufacturing and extraction of raw materials	183	227	(4)	28
Energy supply etc	32	20	5	17
Building and construction	102	137	7	9
Trade	434	478	14	86
Transportation, hotels and restaurants	64	72	2	3
Information and communication	20	28	(3)	15
Finance and insurance	216	365	(40)	79
Real property	422	567	10	126
Other corporate lending	182	158	9	50
Total corporate lending	2,682	3,028	111	489
Public authorities	-	-	-	-
Retail clients	887	968	6	39
Collective impairment charges	495	301	194	164
Provisions for guarantees	118	115	-	-
Total	4,182	4,412	311	692

Note 13 Profit on holdings in associates and subsidiaries

Sydbank Group

Sydbank A/S

DKKm	2015	2014	2015	2014
Profit/(Loss) on holdings in associates etc	5	9	5	9
Profit/(Loss) on holdings in subsidiaries	-	-	(28)	(2)
Total	5	9	(23)	7

Notes

Note 14 Tax	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Tax calculated on profit for the year	264	227	264	228
Deferred tax	68	55	52	43
Adjustment of prior year tax charges	(7)	(5)	(7)	(4)
Total	325	277	309	267
Effective tax rate				
Current tax rate of Sydbank	23.5	24.5	23.5	24.5
Permanent differences	(1.1)	(3.7)	(2.0)	(4.3)
Adjustment of prior year tax charges	(0.3)	0.1	(0.3)	0.1
Effective tax rate	22.1	20.9	21.2	20.3
Deferred tax				
Deferred tax at 1 Jan	(24)	(79)	62	19
Deferred tax for the year recognised in profit for the year	68	55	51	43
Deferred tax at 31 Dec, net	44	(24)	113	62
Deferred tax assets	83	97	14	17
Deferred tax liabilities	127	73	127	79
Deferred tax at 31 Dec, net	44	(24)	113	62

Note 14 Tax – continued

Sydbank Group

DKKm	1 Jan	Recognised in profit for the year	2015 31 Dec	1 Jan	Recognised in profit for the year	2014 31 Dec
Deferred tax						
Loans and advances at amortised cost	118	19	137	50	68	118
Land and buildings	2	(3)	(1)	2	0	2
Property, plant and equipment	(21)	3	(18)	(24)	3	(21)
Intangible assets	(30)	20	(10)	(2)	(28)	(30)
Other assets	4	9	13	10	(6)	4
Provisions	(1)	0	(1)	(2)	1	(1)
Other liabilities	(47)	14	(33)	(38)	(9)	(47)
Capitalised losses, jointly taxed income	(49)	6	(43)	(75)	26	(49)
Deferred tax at 31 Dec, net	(24)	68	44	(79)	55	(24)

Note 15 Amounts owed by credit institutions and central banks

Sydbank Group

Sydbank A/S

DKKm	2015	2014	2015	2014
Amounts owed at notice by central banks	-	1,450	-	1,450
Amounts owed by credit institutions	4,274	8,144	4,267	8,125
Total	4,274	9,594	4,267	9,575
On demand	1,837	1,150	1,830	1,143
3 months or less	2,407	8,379	2,407	8,380
Over 3 months not exceeding 1 year	25	60	25	48
Over 1 year not exceeding 5 years	1	1	1	0
Over 5 years	4	4	4	4
Total	4,274	9,594	4,267	9,575
Of which reverse transactions	1,062	6,731	1,062	6,731

Notes

Note 16 Loans and advances

	Sydbank Group		Sydbank A/S	
DKK m	2015	2014	2015	2014
On demand	14,465	13,994	14,629	14,164
3 months or less	11,568	8,162	11,568	8,162
Over 3 months not exceeding 1 year	24,722	23,593	24,722	23,593
Over 1 year not exceeding 5 years	15,396	15,145	15,396	15,145
Over 5 years	18,307	14,448	18,307	14,448
Total	84,458	75,342	84,622	75,512
Of which reverse transactions (loans and advances at fair value)	10,183	6,891	10,183	6,891

Loans and advances and guarantees by sector and industry (%)

Agriculture, hunting, forestry and fisheries	5.5	8.6*	5.5	8.6*
Manufacturing and extraction of raw materials	8.1	7.8	8.1	7.8
Energy supply etc	3.7	3.3	3.7	3.3
Building and construction	3.5	3.3	3.5	3.3
Trade	13.2	13.0	13.1	12.9
Transportation, hotels and restaurants	3.5	3.3	3.5	3.3
Information and communication	0.3	0.6	0.3	0.6
Finance and insurance	17.0	14.2	17.1	14.2
Real property	7.4	8.1	7.5	8.3
Other corporate lending	3.6	4.0	3.6	4.0
Total corporate lending	65.8	66.2	65.9	66.3
Public authorities	0.9	1.0	0.9	1.0
Retail clients	33.3	32.8	33.2	32.7
Total	100.0	100.0	100.0	100.0

* Of which 2.0 percentage points are attributable to short-term remortgaging guarantees (2014).

Collateral received and types of collateral

Loans and advances at fair value	10,183	6,891	10,183	6,891
Loans and advances at amortised cost	74,275	68,451	74,439	68,621
Guarantees	10,498	13,846	10,498	13,846
Credit exposure for accounting purposes	94,956	89,188	95,120	89,358
Collateral value	50,254	45,126	50,254	45,126
Total unsecured	44,702	44,062	44,866	44,232
Types of collateral				
Real property	16,534	11,654	16,534	11,654
Financial collateral	16,410	13,487	16,410	13,487
Leased assets, mortgages etc	4,624	4,222	4,624	4,222
Floating charges, operating equipment etc	6,404	5,396	6,404	5,396
Guarantees	1,047	1,263	1,047	1,263
Other items of collateral	452	488	452	488
Total collateral used	45,471	36,510	45,471	36,510
Particularly secured transactions (mortgage guarantees)	4,783	8,616	4,783	8,616
Total	50,254	45,126	50,254	45,126

In the event that the Group uses collateral that is not immediately convertible into liquid holdings, it is the Group's policy to dispose of such assets as quickly as possible. Real property will be handed over to an estate agent. Repossessed leased equipment will be sold as quickly as possible. In 2015 repossessed equipment as well as real property taken over in connection with non-performing exposures amounted to DKK 32m (2014: DKK 22m). Leased assets are assessed and depreciated on an ongoing basis. As a result the calculated collateral as regards the Group's leasing activities will decline during periods of falling prices of leased assets.

Note 16 Loans and advances – continued

Sydbank Group

DKKm	Loans/ advances	Guaran- tees	Collateral value	2015 Unsecured	Loans/ advances	Guaran- tees	Collateral value	2014 Unsecured
Collateral by rating category								
Rating category								
1	11,583	1,994	9,744	3,833	7,892	2,480	6,938	3,434
2	24,688	2,472	16,279	10,881	20,347	2,683	13,797	9,233
3	18,815	1,747	9,237	11,325	15,907	2,257	7,627	10,537
4	11,279	1,107	4,538	7,848	9,631	1,450	4,235	6,846
5	6,253	535	3,149	3,639	6,932	1,175	3,740	4,367
6	3,589	359	1,651	2,297	4,105	694	2,103	2,696
7	1,119	113	505	727	1,759	363	877	1,245
8	677	91	335	433	827	208	450	585
9	6,647	423	2,597	4,473	7,087	837	2,725	5,199
Default	2,205	167	763	1,609	2,621	220	776	2,065
NR	1,667	1,490	1,456	1,701	2,531	1,479	1,858	2,152
Total	88,522	10,498	50,254	48,766	79,639	13,846	45,126	48,359
Individual impairment of loans and advances	3,569			3,569	3,996			3,996
Collective impairment of loans and advances	495			495	301			301
Total	84,458	10,498	50,254	44,702	75,342	13,846	45,126	44,062

DKKm	Retail	Corporate	2015 Total	Retail	Small corporate	Corporate	2014 Total
Past due amounts not impaired*							
0-30 days	46	54	100	41	4	62	107
31-60 days	1	1	2	2	0	3	5
61-90 days	1	1	2	1	0	0	1
Total	48	56	104	44	4	65	113
Rating category							
1	0	2	2	9	0	1	10
2	13	18	31	10	1	3	14
3	11	7	18	9	1	5	15
4	10	4	14	4	1	27	32
5	3	8	11	2	1	15	18
6	5	4	9	2	0	3	5
7	1	1	2	1	0	1	2
8	0	1	1	1	0	0	1
9	1	11	12	3	0	8	11
NR	4	0	4	3	0	2	5
Total	48	56	104	44	4	65	113

* Past due amounts concerning loans and advances etc which have not been subject to individual impairment. Loans and advances and amounts owed payable beyond 90 days are treated as impaired.

As from 2015 the small corporate segment is included under Corporate.

As shown above a limited share of past due amounts concerns high credit risk clients.

Notes

Note 16 Loans and advances – continued

Sydbank Group

DKKm				2015 Loans/ advances neither impaired nor past due				2014 Loans/ advances neither impaired nor past due
	Loans/ advances	Impaired loans/ advances	Past due loans/ advances		Loans/ advances	Impaired loans/ advances	Past due loans/ advances	
Loans and advances not impaired, by rating category								
1	10,570		2	10,568	7,892		10	7,882
2	17,192		31	17,161	14,151		13	14,138
3	17,141		18	17,123	15,212		15	15,197
4	11,279		14	11,265	9,631		32	9,599
5	6,253		11	6,242	6,932		18	6,914
6	3,589		9	3,580	4,105		6	4,099
7	1,119		2	1,117	1,759		2	1,757
8	677		1	676	827		1	826
9	6,647	4,523	12	2,112	7,087	4,834	11	2,242
Default	2,205	1,750	0	455	2,621	2,030	0	591
STD/NR	1,667		4	1,663	2,531		5	2,526
	78,339	6,273	104	71,962	72,748	6,864	113	65,771
Impairment charges	4,064	3,569		495	4,297	3,996		301
Total	74,275	2,704	104	71,467	68,451	2,868	113	65,470

Sydbank Group

DKKm			2015 Net investments			2014 Net investments
	Gross investments	Unearned interest		Gross investments	Unearned interest	
Lease payment receivables – finance leases						
1 year or less	1,375	97	1,278	1,215	100	1,115
Over 1 year not exceeding 5 years	3,052	150	2,902	2,683	156	2,527
Over 5 years	328	9	319	214	7	207
Total	4,755	256	4,499	4,112	263	3,849

Lease payment receivables comprise receivables on leasing of various operating equipment under non-cancellable leases. The leases are fixed-rate and floating-rate leases in foreign and Danish currencies.

Loans and advances at amortised cost include finance lease payment receivables of DKK 4,499m at year-end 2015 (2014: DKK 3,849m).

Impairment charges for uncollectible lease payment receivables represent DKK 0m (2014: DKK 0m).

Note 16 Loans and advances – continued

Sydbank Group

DKKm	Loans/ advances before impairment charges	Individual impairment charges	2015 Book value	Loans/ advances before impairment charges	Individual impairment charges	2014 Book value
Non-performing loans and advances						
Impaired non-defaulted loans and advances	4,523	2,306	2,217	4,834	2,536	2,298
Impaired defaulted loans and advances	1,750	1,263	487	2,030	1,460	570
Individually impaired loans and advances	6,273	3,569	2,704	6,864	3,996	2,868
Non-impaired defaulted loans and advances	455		455	591		591
Non-impaired loans and advances in arrears > 90 days	8		8	14		14
Total	6,736	3,569	3,167	7,469	3,996	3,473

In the table above loans and advances are defined as non-performing if they meet at least one of the following criteria:

- An individual impairment charge has been registered as regards the loan/advance
- It is considered unlikely that the debtor will fully meet his payment obligations without realising collateral
- The loan/advance has been in arrears for more than 90 days where the amount exceeds DKK 1,000 and at the same time represents more than 1% of the loan/advance. The loan/advance is only included here if it is not included in one of the other items.

Sydbank Group

DKKm	Loans/ advances and guarantees before impairment charges	Individual impairment charges	2015 Book value	Loans/ advances and guarantees before impairment charges	Individual impairment charges	2015 Book value
Forborne loans and advances and guarantees						
Impaired non-defaulted loans and advances and guarantees	271	130	141	301	133	168
Impaired defaulted loans and advances and guarantees	366	265	101	411	302	109
Individually impaired loans and advances and guarantees	637	395	242	712	435	277
Non-impaired non-defaulted loans and advances and guarantees	115		115	170		170
Non-impaired defaulted loans and advances and guarantees	211		211	267		267
Total	963	395	568	1,149	435	714
Due to financial difficulties:						
- Interest rates have been reduced	615	233	382	758	280	478
- Interest-only terms have been granted	152	68	84	181	76	105
- The debt cannot be refinanced on usual terms	83	46	37	122	45	77
- Other special terms have been granted	113	48	65	88	34	54
Total	963	395	568	1,149	435	714

Forborne loans and advances and guarantees are defined as loans and advances and guarantees where:

- there has been a change in loan terms that would not have been granted if the borrower had not been experiencing financial difficulties
- there has been a complete or partial refinancing of a loan contract that would not have been carried out if the borrower had not been experiencing financial difficulties.

It should be noted that individually impaired loans and advances subject to forbearance measures are also included in non-performing loans and advances.

Notes

Note 17 Bonds at fair value	Sydbank Group		Sydbank A/S	
DKKmn	2015	2014	2015	2014
Mortgage bonds	23,661	31,348	23,629	31,348
Government bonds	2,434	4,409	2,434	4,409
Other bonds	267	375	267	375
Total	26,362	36,132	26,330	36,132

Government bonds - by country

Denmark	2,434	4,409	2,434	4,409
Total	2,434	4,409	2,434	4,409

Note 18 Shares etc

Listed on NASDAQ OMX Copenhagen A/S	223	176	223	176
Listed on other exchanges	4	6	4	6
Unlisted shares recognised at fair value	1,509	1,411	1,508	1,411
Total	1,736	1,593	1,735	1,593

Trading portfolio	198	182	197	182
Portfolio of equity investments	1,538	1,411	1,538	1,411
Total	1,736	1,593	1,735	1,593

Note 19 Holdings in associates etc

Carrying amount at 1 Jan	168	162	168	162
of which credit institutions	-	-	-	-
Cost at 1 Jan	159	159	159	159
Additions	-	-	-	-
Disposals	8	0	8	0
Cost at 31 Dec	151	159	151	159
Revaluations and impairment charges at 1 Jan	9	3	9	3
Dividend	(2)	(2)	(2)	(2)
Revaluations and impairment charges for the year	5	8	5	8
Reversal of revaluations and impairment charges	-	-	-	0
Revaluations and impairment charges at 31 Dec	12	9	12	9
Carrying amount at 31 Dec	163	168	163	168

Note 20 Holdings in subsidiaries
Sydbank A/S

DKKm	2015	2014
Carrying amount at 1 Jan	646	487
Cost at 1 Jan	1,026	1,035
Exchange rate adjustment	43	6
Additions	1,645	1
Disposals	2	16
Cost at 31 Dec	2,712	1,026
Revaluations and impairment charges at 1 Jan	(380)	(548)
Exchange rate adjustment	(17)	(2)
Profit/(Loss)	(28)	(2)
Dividend	-	-
Other capital movements	(6)	172
Revaluations and impairment charges for the year	-	-
Reversal of revaluations and impairment charges	-	-
Revaluations and impairment charges at 31 Dec	(431)	(380)
Carrying amount at 31 Dec	2,281	646

Note 21 Assets related to pooled plans
Sydbank Group
Sydbank A/S

DKKm	2015	2014	2015	2014
Cash deposits	274	449	274	449
Indexed bonds	586	564	586	564
Other bonds	6,850	6,336	6,850	6,336
Other shares etc	4,284	3,388	4,284	3,388
Units	0	0	0	0
Other assets	6	53	6	53
Total	12,000	10,790	12,000	10,790

Notes

Note 22 Intangible assets

Intangible assets

Intangible assets comprise of the value of customer relationships as well as goodwill acquired in connection with acquisitions. The Group took over DiBa Bank in 2013. The activities acquired were fully integrated into the Group's platform in September 2014. The activity acquired has been allocated to the operating segments Banking, Asset Management and Sydbank Markets. Sydinvest Administration A/S was acquired in March 2015. Goodwill represents DKK 170m at year-end 2015 (2014: DKK 170m) and primarily concerns Banking. Goodwill is tested annually for impairment. The impairment test carried out in 2015 did not result in impairment of goodwill.

The value of customer relationships represents DKK 151m at year-end 2015 (2014: DKK 164m). Customer relationships are amortised on a straight-line basis over the expected useful life of 5-15 years.

Impairment test

The Group's goodwill is tested for impairment annually and where there is any indication of impairment.

The impairment test compares the carrying amount and the estimated present value of expected future cash flows. As a consequence of the special capital structure of financial groups, calculation of the present value of future cash flows is based on an equity model/dividend discount model.

Future cash flows are determined on the basis of approved strategies and earnings estimates for the budget period. Earnings for the budget period are based on the budget for 2016 as approved by management which involve steady positive developments in the Bank's core income. Earnings at the end of the budget period are subsequently projected on the basis of expected long-term growth. Annualised growth in the terminal period is assumed to represent 1.5%.

The estimated cash flows are discounted at the Group's risk-adjusted required rates of return which constitute 12.2% before tax and 9.5% after tax at year-end 2015 (2014: 12.3% before tax and 9.5% after tax). The required rate of return and consequently the discount rate are based on current market data and external benchmarks.

The impairment test conducted does not indicate any impairment at 31 December 2015.

An increase in the Group's risk-adjusted required rate of return from 12.2% to for instance 16% would not result in a goodwill impairment. Correspondingly a decline in estimated growth in the terminal period of 1 percentage point would not result in a goodwill impairment. In addition a decrease in earnings of 20% for the terminal period would not result in a goodwill impairment.

Note 22 Intangible assets – continued

DKKm	Sydbank Group		Sydbank A/S	
	2015	2014	2015	2014
Carrying amount at 1 Jan	334	355	334	232
Cost at 1 Jan	377	378	377	255
Additions	12	0	7	123
Disposals	-	1	-	1
Cost at 31 Dec	389	377	384	377
Amortisation and impairment charges at 1 Jan	43	23	43	23
Amortisation and impairment charges for the year	22	20	20	20
Amortisation and impairment charges at 31 Dec	65	43	63	43
Carrying amount at 31 Dec	324	334	321	334

Additions in 2015 represent the value of customer relationships etc acquired in connection with the acquisition of Sydinvest Administration A/S.

Note 23 Investment property

Fair value at 1 Jan	2	20	2	16
Additions	-	1	-	4
Disposals	2	18	2	18
Adjustment for the year at fair value	-	(1)	-	0
Fair value at 31 Dec	-	2	-	2

Note 24 Owner-occupied property

Carrying amount at 1 Jan	1,069	1,102	885	788
Exchange rate adjustment	0	0	0	0
Additions, including improvements	24	18	6	147
Disposals	53	47	53	47
Depreciation for the year	7	7	5	6
Value adjustment recognised directly in equity	0	13	0	13
Value adjustment recognised in the income statement	(21)	(10)	(2)	(10)
Carrying amount at 31 Dec	1,012	1,069	831	885
Required rate of return applied to calculate fair value (%)	5.0-10.0	5.0-10.0	5.0-10.0	5.0-10.0

Sensitivity analysis: Other things being equal an increase of 0.5 percentage points in the required rate of return will reduce fair value by DKK 59m (2014: DKK 62m).

Notes

Note 25 Other property, plant and equipment

	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Carrying amount at 1 Jan	73	86	73	84
Cost at 1 Jan	500	492	500	491
Exchange rate adjustment	0	0	0	0
Additions	42	53	42	52
Disposals	107	45	107	43
Cost at 31 Dec	435	500	435	500
Depreciation and impairment charges at 1 Jan	427	406	427	407
Exchange rate adjustment	0	0	0	0
Depreciation for the year	46	60	46	59
Reversal of depreciation and impairment charges	106	39	106	39
Depreciation and impairment charges at 31 Dec	367	427	367	427
Carrying amount at 31 Dec	68	73	68	73

Note 26 Other assets

Positive market value of derivatives etc	8,014	12,164	8,014	12,164
Sundry debtors	351	424	343	420
Interest and commission receivable	196	283	195	283
Cash collateral provided, CSA agreements etc	2,485	3,505	2,485	3,505
Other assets	1	0	1	0
Total	11,047	16,376	11,038	16,372

Note 27 Amounts owed to credit institutions and central banks

Amounts owed to central banks	16	1,500	16	1,500
Amounts owed to credit institutions	17,769	30,551	18,012	30,768
Total	17,785	32,051	18,028	32,268
On demand	12,508	5,816	12,751	6,034
3 months or less	4,517	25,523	4,517	25,523
Over 3 months not exceeding 1 year	375	503	375	502
Over 1 year not exceeding 5 years	103	64	103	64
Over 5 years	282	145	282	145
Total	17,785	32,051	18,028	32,268
Of which repo transactions	11,607	18,472	11,607	18,472

Note 28 Deposits and other debt**Sydbank Group****Sydbank A/S**

DKKm	2015	2014	2015	2014
On demand	61,628	58,424	63,551	58,726
At notice	6,192	339	6,192	339
Time deposits	6,564	9,356	6,564	9,356
Special categories of deposits	5,516	5,803	5,516	5,803
Total	79,900	73,922	81,823	74,224
On demand	62,107	58,910	64,030	59,212
3 months or less	11,434	8,616	11,434	8,616
Over 3 months not exceeding 1 year	905	1,506	905	1,506
Over 1 year not exceeding 5 years	1,595	731	1,595	731
Over 5 years	3,859	4,159	3,859	4,159
Total	79,900	73,922	81,823	74,224
Of which repo transactions	2,909	2,601	2,909	2,601

Note 29 Bonds issued at amortised cost

3 months or less	-	28	-	28
Over 3 months not exceeding 1 year	3,727	-	3,727	-
Over 1 year not exceeding 5 years	-	3,713	-	3,713
Total	3,727	3,741	3,727	3,741

Note 30 Other liabilities

Negative market value of derivatives etc	8,417	12,677	8,417	12,678
Sundry creditors	4,192	1,135	4,167	1,133
Negative portfolio, reverse transactions	2,033	3,770	2,033	3,770
Interest and commission etc	53	50	52	50
Cash collateral received, CSA agreements	745	1,208	745	1,208
Other liabilities	0	0	0	0
Total	15,440	18,840	15,414	18,839

Note 31 Provisions

Provisions for pensions and similar obligations	3	4	3	4
Provisions for deferred tax	127	73	127	79
Provisions for guarantees	118	115	118	115
Other provisions	72	74	70	73
Total	320	266	318	271

Notes

Note 31 Provisions – continued

Sydbank Group

DKKm	Provisions for pensions and similar obligations	Provisions for deferred tax	Provisions for guarantees	Other provisions	2015 Total provisions
Carrying amount at 1 Jan	4	73	115	74	266
Additions	0	54	81	11	146
Disposals	1	0	78	13	92
Carrying amount at 31 Dec	3	127	118	72	320

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

Note 32 Subordinated capital

Sydbank Group

Sydbank A/S

Interest rate	Note		Nominal (m)	Maturity	2015	DKKm 2014	2015	DKKm 2014
2.13 (fixed)	1	Bond loan	EUR 100	11 Mar 2027	740	-	740	-
Total Tier 2 capital					740	-	740	-
1.05 (floating)	2	Bond loan	EUR 100	Perpetual	745	742	745	742
1.05 (floating)	3	Bond loan	EUR 75	Perpetual	560	558	560	558
6.36 (fixed)	4	Bond loan	DKK 85	Perpetual	85	85	85	85
Total Additional Tier 1 capital					1,390	1,385	1,390	1,385
Total subordinated capital					2,130	1,385	2,130	1,385
1) Optional redemption from 11 March 2022 after which the interest rate will be fixed at 1.72% above 5Y Mid-Swap.								
2) Optional redemption from 25 April 2017 after which the interest rate will be fixed at 2.10% above 3M EURIBOR.								
3) The interest rate follows a 10Y CMS (6M EURIBOR) plus a premium of 0.2%.								
4) Optional redemption from 14 May 2017 after which the interest rate will be fixed at 1.75% above 3M CIBOR.								
Costs relating to the raising and redemption of subordinated capital					0	0	0	0
Over 1 year not exceeding 5 years					-	-	-	-
Over 5 years					2,130	1,385	2,130	1,385
Total					2,130	1,385	2,130	1,385

Note 33 Own holdings	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Nominal portfolio of own holdings	29	9	29	9
Nominal portfolio of own holdings as % of share capital	3.9	1.2	3.9	1.2
Shares outstanding (number)	71,334,716	73,355,021	71,334,716	73,355,021
Holding of own shares (number)	2,915,283	894,978	2,915,283	894,978
Total share capital (number)	74,249,999	74,249,999	74,249,999	74,249,999
Own holdings purchased during the year				
Number of shares	9,312,501	6,585,222	9,312,501	6,585,222
Nominal value	93	66	93	66
Consideration paid	2,225	1,026	2,225	1,026
Number of shares as % of share capital	12.5	8.9	12.5	8.9
Own holdings sold during the year				
Number of shares	7,292,196	6,651,527	7,292,196	6,651,527
Nominal value	73	67	73	67
Consideration received	1,722	1,039	1,722	1,039
Number of shares as % of share capital	9.8	9.0	9.8	9.0

Within the share buyback programme 2,009,800 shares totalling DKK 500m were purchased during the period from 13 April to 3 November 2015. In addition the Bank has purchased and sold own holdings as part of the ordinary banking transactions of Sydbank A/S.

Notes

Note 34 Contingent liabilities and other obligating agreements	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Contingent liabilities				
Financial guarantees	4,011	3,604	4,011	3,604
Mortgage finance guarantees	1,781	1,464	1,781	1,464
Registration and remortgaging guarantees	3,002	7,152	3,002	7,152
Other contingent liabilities	1,704	1,626	1,704	1,626
Total	10,498	13,846	10,498	13,846
Other obligating agreements				
Irrevocable credit commitments	784	1,196	784	1,196
Other liabilities*	37	49	52	66
Total	821	1,245	836	1,262
* Including intra-group liabilities in relation to rented premises	-	-	15	16

Totalkredit loans arranged 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 will be obligated to pay an exit charge in the event of exit.

Sydbank A/S is taxed jointly with its subsidiaries. Being the management company Sydbank is jointly and severally liable with its subsidiaries as regards Danish corporation tax and withholding tax on interest and dividends within the group of joint taxation entities.

The deposit guarantee scheme has been changed and the EU's recovery and resolution directive has been implemented in Danish law effective 1 June 2015. The new guarantee fund will cover losses on covered deposits with distressed credit institutions. The fund must account for at least 0.8% of the covered deposits. It is expected that any under-financing at year-end 2015 will be insignificant. From 2016 any contributions to the fund will be calculated on the basis of the credit institution's covered deposits and risk relative to other credit institutions in Denmark.

Moreover a Danish resolution fund has been established. Each credit institution will contribute to the fund on the basis of its size and risk relative to other credit institutions 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 first contributions to the fund were paid in December 2015. The intention is that losses will be covered by the annual contributions from the participating credit institutions.

If one of the funds suffers a loss the annual contribution may be increased.

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

Note 35 Fair value hedging of interest rate risks (macro hedge)

Sydbank adopts a cash flow model for managing interest rate risk on all positions other than Danish callable mortgage bonds. The model is updated daily with all the Bank's positions. These are allocated to portfolios according to responsibility and product.

One of these portfolios consists of the Bank's positions in fixed-rate loans and advances, including leasing, fixed-rate deposits and related hedging transactions. To ensure interest rate risk management of this portfolio, the model generates a synthetic cash flow to describe the Bank's risk position at selected interest rate points.

The Bank's basis for concluding hedging transactions – primarily interest rate swaps – is thus a synthetic net cash flow based on the actual cash flow of loans and advances, deposits and previously concluded hedging transactions in the relevant portfolio. The aim is to keep the interest rate risk in this portfolio at a minimum as the Bank wishes to place its interest rate risk in other portfolios containing bonds and other cash equivalent positions.

The Group applies the rules on macro hedge which aim to ensure symmetry between income and expense in the financial statements. Symmetry is achieved by making a hedge adjustment corresponding to the part of the market value adjustment of derivatives which concerns future periods. This hedge adjustment is recorded under "Other assets" and represents DKK 29m at 31 December 2015 (2014: DKK 15m).

During the year a net loss on hedging transactions of DKK 9m (2014: net gain of DKK 20m) was recorded. The loss eliminates a corresponding net gain on hedged items.

DKKm	Sydbank Group		Sydbank A/S	
	2015	2014	2015	2014
Fixed-rate loans and advances				
Carrying amount	1,719	1,283	1,719	1,283
Fixed-rate deposits				
Carrying amount	4,289	4,262	4,289	4,262
The following derivatives are used to hedge the above:				
Swaps				
Principal	(7,683)	(5,997)	(7,683)	(5,997)
Fair value	45	66	45	66

Notes

Note 36 Collateral

At the end of 2015 the Group had deposited as collateral securities at a market value of DKK 249m 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 in connection with CSA agreements etc of DKK 2,485m.

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 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".

DKKm	Sydbank Group		Sydbank A/S	
	2015	2014	2015	2014
Assets sold as part of repo transactions				
Bonds at fair value	14,712	21,301	14,712	21,301
Assets purchased as part of reverse transactions				
Bonds at fair value	11,140	13,518	11,140	13,518
Shares etc	1	-	1	-

Note 37 Related parties

DKKm	2015 Group			2014 Group		
	Associates	Board of Directors	Executive Management	Associates	Board of Directors	Executive Management
Loans and advances and loan commitments	107	13	1	106	14	1
Deposits and other debt	4	12	7	130	8	5
Guarantees issued	-	-	-	-	-	-
Collateral received	-	0	1	-	0	0
Interest income	0	0	0	0	0	0
Interest expense	0	0	0	0	0	0
Fee and commission income	0	0	0	0	0	0
Other expenses	390	-	-	391	-	-

Interest rates 2015:

Group Executive Management: 2.1% p.a.

Board of Directors: 0.50-7.75% p.a.*

* Interest rates concern loans in different currencies.

There are no parties with significant influence over Sydbank A/S (ownership share of at least 20%). The Board of Directors and the Group Executive Management columns comprise the Group's exposures to and transactions with members of the Board of Directors and the Group Executive Management as well as their dependants. Further information on the remuneration of management appears from [note 11](#).

Other expenses include primarily IT costs to Bankdata.

With effect from 1 April 2015 Sydbank A/S has acquired Sydinvest Administration A/S. Transactions with related parties are settled on an arm's length basis and are subject to the terms and conditions in force. No unusual transactions took place with related parties in 2015.

Note 37 Related parties – continued

	Sydbank Group		Sydbank A/S	
DKKm	2015	2014	2015	2014
Amounts owed by and to subsidiaries etc				
Amounts owed by credit institutions and central banks	-	-	-	-
Loans and advances at amortised cost	-	-	164	170
Total asset items	-	-	164	170
Amounts owed to credit institutions	-	-	243	218
Deposits and other debt	-	-	1,923	302
Total liability items	-	-	2,166	520

Notes

Note 37 Related parties – continued

Sydbank Group

Number	1 Jan 2015	On appointment/ resignation	Additions	Disposals	31 Dec 2015
Sydbank A/S shares held by					
Board of Directors (Personal holdings)					
Torben Nielsen (Chairman)	2,000				2,000
Peder Damgaard (Vice-Chairman)	966				966
Svend Erik Busk	1,500				1,500
Alex Slot Hansen	57				57
Erik Bank Lauridsen	2,100				2,100
Lars Mikkjelgaard-Jensen		400		50	350
Frank Møller Nielsen		942	595		1,537
Jacob Chr. Nielsen	77				77
Susanne Beck Nielsen	1,490	(1,490)			-
Bo Normann Rasmussen		100	160		260
Jarl Oxlund	1,200				1,200
Anders Thoustrup	770	(770)			-
Margrethe Weber	2,287			181	2,106
Total	12,447	(818)	755	231	12,153
Board of Directors (Own holdings and holdings by dependants)					
Torben Nielsen (Chairman)	2,000				2,000
Peder Damgaard (Vice-Chairman)	966		50		1,016
Svend Erik Busk	1,500				1,500
Alex Slot Hansen	57				57
Erik Bank Lauridsen	13,785				13,785
Lars Mikkjelgaard-Jensen		400		50	350
Frank Møller Nielsen		942	595		1,537
Jacob Chr. Nielsen	77				77
Susanne Beck Nielsen	1,615	(1,615)			-
Bo Normann Rasmussen		100	160		260
Jarl Oxlund	1,200				1,200
Anders Thoustrup	1,621	(1,621)			-
Margrethe Weber	2,287			181	2,106
Total	25,108	(1,794)	805	231	23,888
Group Executive Management (Own holdings and holdings by dependants)					
Karen Frøsig	3,766				3,766
Bjarne Larsen	1,967				1,967
Jan Svarre	1,850		450		2,300
Total	7,583	-	450	-	8,033
Total	32,691	(1,794)	1,255	231	31,921

Note 38 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.

			Sydbank Group	
DKKmn		2015		2014
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash and balances on demand at central banks	-	967	-	629
Amounts owed by credit institutions and central banks	1,062	3,212	6,731	2,863
Loans and advances at fair value	10,183	-	6,891	-
Loans and advances at amortised cost	-	74,275	-	68,451
Bonds at fair value	26,362	-	36,132	-
Shares etc	1,736	-	1,593	-
Assets related to pooled plans	12,000	-	10,790	-
Other assets	8,114	2,933	12,341	4,035
Total	59,457	81,387	74,478	75,978
Undrawn credit facilities	-	41,373	-	40,583
Maximum credit risk, collateral not considered	59,457	122,760	74,478	116,561
Financial liabilities				
Amounts owed to credit institutions and central banks	11,607	6,178	18,472	13,578
Deposits and other debt	2,909	76,991	2,601	71,321
Deposits in pooled plans	12,009	-	10,796	-
Bonds issued at amortised cost	-	3,727	-	3,741
Other liabilities	10,452	4,988	16,447	2,393
Subordinated capital	-	2,130	-	1,385
Total	36,977	94,014	48,316	92,418

Financial instruments recognised at fair value

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

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

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

The fair value of unlisted shares and other holdings is calculated on the basis of available information on trades etc – including to a very significant extent 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 149m.

Notes

Note 38 Fair value disclosure – continued

Sydbank Group

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
2015				
Financial assets				
Amounts owed by credit institutions and central banks	-	1,062	-	1,062
Loans and advances at fair value	-	10,183	-	10,183
Bonds at fair value	-	26,361	1	26,362
Shares etc	227	17	1,492	1,736
Assets related to pooled plans	4,285	7,715	-	12,000
Other assets	29	8,085	-	8,114
Total	4,541	53,423	1,493	59,457
Financial liabilities				
Amounts owed to credit institutions and central banks	-	11,607	-	11,607
Deposits and other debt	-	2,909	-	2,909
Deposits in pooled plans	-	12,009	-	12,009
Other liabilities	60	10,392	-	10,452
Total	60	36,917	-	36,977

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
2014				
Financial assets				
Amounts owed by credit institutions and central banks	-	6,731	-	6,731
Loans and advances at fair value	-	6,891	-	6,891
Bonds at fair value	-	36,132	-	36,132
Shares etc	182	19	1,392	1,593
Assets related to pooled plans	3,389	7,401	-	10,790
Other assets	32	12,309	-	12,341
Total	3,603	69,483	1,392	74,478
Financial liabilities				
Amounts owed to credit institutions and central banks	-	18,472	-	18,472
Deposits and other debt	-	2,601	-	2,601
Deposits in pooled plans	-	10,796	-	10,796
Other liabilities	29	16,418	-	16,447
Total	29	48,287	-	48,316

Note 38 Fair value disclosure – continued

Sydbank Group

DKKm	2015	2014
Assets measured on the basis of unobservable inputs		
Carrying amount at 1 Jan	1,392	1,357
Additions	31	231
Disposals	18	421
Market value adjustment	88	225
Value at 31 Dec	1,493	1,392
Recognised in profit for the year		
Interest income	-	-
Dividend	32	34
Market value adjustment	88	225
Total	120	259

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 year-end 2015 CVA constitutes an unchanged DKK 63m compared to 2014.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At year-end 2015 client margins presently not recognised as income total DKK 33m compared to DKK 24m at year-end 2014.

Financial instruments recognised at amortised cost

The vast majority of the Group's amounts owed, loans and advances and deposits cannot be transferred without the prior consent of clients and no active market exists for trading in such financial instruments. Consequently fair value disclosures are solely based on circumstances where market conditions have changed after the initial recognition of the instrument, including in particular changes in interest rates. Fair value disclosures on financial instruments recognised at amortised cost are based on the assumptions below:

- As regards financial instruments for which a quoted price exists in the market, such a price is applied. This applies to bonds issued and subordinated capital. In the absence of a market price, the value is determined on the basis of estimates of the market's existing required rate of return.
- As regards loans and advances, impairment charges are presumed to equal the fair value of the credit risk.
- As regards financial instruments with a maturity of less than six months, amortised cost is presumed to equal fair value.
- As a rule the interest rate risk of fixed-rate deposits and loans and advances with a maturity exceeding six months is hedged by derivatives, primarily interest rate swaps. The hedge is treated as a fair value hedge for accounting purposes. As a result of the application of these rules this portfolio, taken as a whole, is recognised at fair value in the balance sheet. The portfolio comprises loans and advances, deposits and swaps, see [note 35](#).

Based on the above it is the overall assessment that the fair value of loans and advances and deposits corresponds to the carrying amount at 31 December 2015 in all material respects.

Notes

Note 38 Fair value disclosure – continued

Sydbank Group

DKKm	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued at amortised cost	3,727	3,735	3,741	3,774
Subordinated capital	2,130	1,797	1,385	1,158

Note 39 Financial liabilities – contractual maturities

Sydbank Group

DKKm	By term				
	On demand	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years
2015					
Amounts owed to credit institutions and central banks	12,508	4,517	375	103	282
Deposits and other debt	62,108	11,434	904	1,595	3,859
Bonds issued at amortised cost	-	-	3,727	-	-
Subordinated capital	-	-	-	-	2,130
Total	74,616	15,951	5,006	1,698	6,271
Contingent liabilities (guarantees)	5,804	3,342	689	374	289
2014					
Amounts owed to credit institutions and central banks	5,816	25,523	503	64	145
Deposits and other debt	58,910	8,616	1,506	731	4,159
Bonds issued at amortised cost	28	-	-	3,713	-
Subordinated capital	-	-	-	-	1,385
Total	64,754	34,139	2,009	4,508	5,689
Contingent liabilities (guarantees)	5,655	7,071	497	396	227
Amounts are exclusive of interest.					

Amounts are exclusive of interest.

Note 40 Activity per country

Sydbank Group

DKKm					Public subsidies received
	Turnover	Number of employees	Profit before tax	Tax	
2015					
Denmark, banking and leasing	4,606	1,976	1,402	291	-
Germany, banking	182	68	72	34	-
Switzerland, in liquidation	0	-	(1)	0	-
Total	4,788	2,044	1,473	325	-
2014					
Denmark, banking and leasing	4,935	2,023	1,340	283	-
Germany, banking	187	78	(17)	(6)	-
Switzerland, in liquidation	0	-	6	0	-
Total	5,122	2,101	1,329	277	-

Turnover is defined as interest income, fee and commission income and other operating income.

Note 41 Financial highlights
Sydbank Group

	2015	2014	2013	2012	2011
Income statement highlights (DKKm)					
Net interest and fee income	4,170	4,297	4,165	4,361	4,241
Market value adjustments	251	391	474	558	(26)
Staff costs and administrative expenses	2,455	2,497	2,314	2,380	2,463
Impairment of loans and advances etc	311	692	1,861	1,748	1,198
Profit/(Loss) on holdings in associates etc	5	9	2	10	(77)
Profit for the year	1,148	1,052	187	467	188
Balance sheet highlights (DKKbn)					
Loans and advances	84.4	75.3	71.5	74.2	76.5
Shareholders' equity	11.4	11.3	10.2	10.0	9.6
Total assets	142.7	152.3	147.9	152.7	153.4
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic	15.5	14.2	2.5	6.4	2.6
Book value	160.2	154.2	139.7	137.6	131.1
Dividend	10.82	7.08	-	-	-
Share price/EPS	14.3	13.4	56.7	15.6	35.5
Share price/book value	1.38	1.23	1.03	0.72	0.69
Other financial ratios and key figures					
Total capital ratio	17.6	16.0	15.7	15.9	16.1
Tier 1 capital ratio	15.9	15.5	15.3	15.6	15.2
Pre-tax profit as % of average shareholders' equity	13.0	12.3	1.7	6.4	3.1
Post-tax profit as % of average shareholders' equity	10.1	9.8	1.8	4.8	2.0
Income/cost ratio (DKK)	1.49	1.39	1.04	1.14	1.08
Interest rate risk	2.8	0.0	0.6	1.8	0.9
Foreign exchange position	2.2	1.8	2.1	0.9	1.6
Foreign exchange risk	0.0	0.0	0.0	0.0	0.1
Loans and advances relative to deposits	1.0	0.8	0.9	1.0	1.0
Loans and advances relative to shareholders' equity	7.4	6.7	7.0	7.4	8.0
Growth in loans and advances for the year	8.5	2.8	(3.7)	(3.0)	(8.7)
Excess cover relative to statutory liquidity requirements	166.8	142.2	179.8	127.4	148.7
Total large exposures	0.0	0.0	25.8	21.6	26.3
Impairment ratio for the year	0.3	0.7	2.2	2.0	1.5
Return on assets (%)	0.78	0.70	0.12	0.31	0.12

Financial highlights and financial ratios are specified in the Danish FSA's executive order on financial reporting of credit institutions etc.

Notes

Note 41 Financial highlights – continued

Sydbank A/S

	2015	2014	2013	2012	2011
Income statement highlights (DKK m)					
Net interest and fee income	4,116	4,302	4,160	4,361	4,202
Market value adjustments	252	391	474	557	(33)
Staff costs and administrative expenses	2,413	2,505	2,316	2,390	2,380
Impairment of loans and advances etc	311	692	1,861	1,745	1,195
Profit/(Loss) on holdings in associates etc	(23)	7	(69)	4	(120)
Profit for the year	1,148	1,052	187	467	188
Balance sheet highlights (DKK bn)					
Loans and advances	84.6	75.5	69.3	74.4	75.8
Shareholders' equity	11.4	11.3	10.2	10.0	9.6
Total assets	144.9	152.8	143.8	152.9	153.0
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic	15.5	14.2	2.5	6.4	2.6
Book value	160.2	154.2	139.7	137.6	131.1
Dividend	10.82	7.08	-	-	-
Share price/EPS	14.3	13.4	56.7	15.6	35.5
Share price/book value	1.38	1.23	1.03	0.72	0.69
Other financial ratios and key figures					
Total capital ratio	17.2	16.0	16.0	15.8	16.3
Tier 1 capital ratio	15.5	15.4	15.8	15.5	15.3
Pre-tax profit as % of average shareholders' equity	12.8	12.2	1.9	6.4	3.1
Post-tax profit as % of average shareholders' equity	10.1	9.8	1.8	4.8	2.0
Income/cost ratio (DKK)	1.50	1.39	1.04	1.14	1.08
Interest rate risk	2.8	0.0	0.7	1.8	0.9
Foreign exchange position	2.2	1.8	2.1	0.9	1.6
Foreign exchange risk	0.0	0.0	0.0	0.0	0.1
Loans and advances relative to deposits	0.9	0.9	1.0	1.0	1.0
Loans and advances relative to shareholders' equity	7.4	6.7	6.8	7.4	7.9
Growth in loans and advances for the year	8.5	6.5	(6.8)	(1.9)	(8.6)
Excess cover relative to statutory liquidity requirements	162.8	141.4	175.2	127.0	151.4
Total large exposures	0.0	0.0	15.3	21.6	26.3
Impairment ratio for the year	0.3	0.7	2.3	2.0	1.5
Return on assets (%)	0.77	0.71	0.13	0.31	0.12

Financial highlights and financial ratios are specified in the Danish FSA's executive order on financial reporting of credit institutions etc.

Note 42 Reporting events occurring after the balance sheet date

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

Note 43 Group holdings and enterprises

Sydbank Group

31 December 2015	Activity	Share capital (m)		Shareholders' equity (DKKm)	Profit/(Loss) (DKKm)	Ownership share (%)
Sydbank A/S		DKK	742			
Consolidated subsidiaries						
DiBa A/S, Aabenraa	Investment	DKK	66	1,957	(4)	100
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	10	10	(13)	100
Sydinvest Administration A/S, Aabenraa	Administration	DKK	40	40	3	100
Sydbank (Schweiz) AG in Liquidation, St. Gallen, Switzerland*	-	CHF	40	248	(1)	100
Holdings in associates						
Foreningen Bankdata, Fredericia**	IT	DKK	598	598	95	31
Core Property Management A/S, Copenhagen**	Real property	DKK	10	27	12	20

* With no significant activity at 31 December 2015.

** Financial information according to the companies' most recently published annual reports (2014).

Note 44 Large shareholders

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

Notes

Note 45 Acquisitions

Sydbank A/S

DKK m

2015

On 31 March 2015 the Group acquired all activities from Sydinvest Administration A/S.

Statement of fair value

Assets

Amounts owed by credit institutions and central banks	4
Bonds at fair value	32
Intangible assets, software and development costs	5
Intangible assets, customer relationships	7
Other assets	6
Prepayments	2
Total assets	56

Liabilities

Other liabilities	12
Total liabilities	12

Net assets acquired	44
Purchase price	44
Goodwill	0

The purchase price for Sydinvest Administration A/S has been settled in cash. No transaction costs have been paid in connection with the acquisition.

The Group's profit would have been unchanged if the acquisition date had been 1 January 2015.

The ordinary activities of the activity acquired affect Group profit by DKK 3m for 2015.

2014

With effect from 1 January 2014 Sydbank A/S acquired all banking operations, including any related assets and liabilities, from the subsidiary DiBa Bank A/S.

Financial Ratio Definitions

Financial ratio	Definition
EPS Basic (DKK)	Profit for the year divided by average number of shares outstanding.
EPS Diluted (DKK)	Profit for the year divided by average number of shares outstanding, including dilutive effect of share options and restricted shares.
Share price at year-end	Closing price of the Sydbank share at year-end.
Book value per share (DKK)	Shareholders' equity at year-end divided by number of shares outstanding at year-end.
Common Equity Tier 1 capital ratio	Common Equity Tier 1 capital divided by total risk exposure.
Tier 1 capital ratio	Tier 1 capital divided by total risk exposure.
Capital ratio	Total capital divided by total risk exposure.
Pre-tax profit as % of average shareholders' equity	Pre-tax profit divided by average shareholders' equity during the year.
Post-tax profit as % of average shareholders' equity	Post-tax profit divided by average shareholders' equity during the year.
Return on assets (%)	Profit for the year divided by total average assets.
Loans and advances relative to deposits	Loans and advances at amortised cost divided by deposits (deposits and other debt and deposits in pooled plans).
Loans and advances relative to shareholders' equity	Loans and advances at amortised cost divided by shareholders' equity.
Growth in loans and advances for the year	Calculated on the basis of loans and advances at amortised cost.
Accumulated impairment ratio	Impairment charges and provisions at year-end (allowance account) divided by loans and advances at amortised cost and guarantees before impairment charges and provisions.
Impairment ratio for the year	Impairment charges for loans and advances etc divided by loans and advances at amortised cost and guarantees before impairment charges and provisions.
Number of full-time staff at year-end	Number of full-time equivalent staff (part-time staff translated into full-time staff) at year-end.

Notes – Derivatives

Distribution by maturity

DKKm	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceed- ing 5 years	Over 5 years	Total 2015	Total 2014
Nominal values						
Foreign exchange contracts:						
Spot, bought	4,670	-	-	-	4,670	7,162
Spot, sold	4,043	-	-	-	4,043	6,132
Forwards/futures, bought	27,848	2,882	521	0	31,251	30,721
Forwards/futures, sold	28,788	2,874	552	0	32,214	39,007
Swaps	41	1,059	369	852	2,321	2,688
Options, acquired	2,153	539	9	0	2,701	2,662
Options, written	2,000	513	5	0	2,518	2,436
Interest rate contracts:						
Spot, bought	1,441	-	-	-	1,441	3,935
Spot, sold	1,654	-	-	-	1,654	2,581
Forwards/futures, bought	2,319	117	0	0	2,437	6,298
Forwards/futures, sold	5,420	405	0	0	5,825	6,626
Forward Rate Agreements, bought	5,301	11,844	0	0	17,145	28,154
Forward Rate Agreements, sold	8,119	5,567	0	0	13,686	27,718
Swaps	21,972	17,921	79,313	44,354	163,559	209,027
Options, acquired	3,184	3,057	8,139	1,458	15,838	47,944
Options, written	2,528	4,002	8,099	1,300	15,929	51,035
Equity contracts:						
Spot, bought	152	-	-	-	152	110
Spot, sold	156	-	-	-	156	113
Forwards/futures, bought	10	0	0	0	10	0
Forwards/futures, sold	11	0	0	0	11	0
Options, acquired	0	0	0	0	0	1
Options, written	0	0	0	0	0	1
Other derivative contracts:						
Futures commodities, bought	17	9	0	0	26	22
Futures commodities, sold	17	9	0	0	26	22
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	0	273	137	0	410	1,077

Distribution by maturity

DKKm	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceed- ing 5 years	Over 5 years	Total 2015	Total 2014
Net market values						
Foreign exchange contracts:						
Spot, bought	5	-	-	-	5	12
Spot, sold	(10)	-	-	-	(10)	(9)
Forwards/futures, bought	139	47	14	0	200	868
Forwards/futures, sold	(26)	(33)	(12)	0	(71)	(662)
Swaps	2	(7)	32	56	82	72
Options, acquired	11	6	0	0	18	28
Options, written	(10)	(8)	0	0	(18)	(27)
Interest rate contracts:						
Spot, bought	(2)	-	-	-	(2)	3
Spot, sold	0	-	-	-	0	(3)
Forwards/futures, bought	3	0	0	0	2	11
Forwards/futures, sold	(4)	(1)	0	0	(5)	(7)
Forward Rate Agreements, bought	(4)	(7)	0	0	(11)	(14)
Forward Rate Agreements, sold	7	5	0	0	12	13
Swaps	(12)	(10)	(433)	(210)	(664)	(897)
Options, acquired	24	13	226	27	290	349
Options, written	0	(21)	(178)	(7)	(206)	(250)
Equity contracts:						
Spot, bought	0	-	-	-	0	2
Spot, sold	0	-	-	-	0	(1)
Forwards/futures, bought	10	0	0	0	10	0
Forwards/futures, sold	(36)	0	0	0	(36)	0
Options, acquired	0	0	0	0	0	5
Options, written	0	0	0	0	0	(5)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	0	0	0	0	0	0
Total net market values					(403)	(512)

Notes – Derivatives

DKKm	Total contracts 2015*			Total contracts 2014*		
	Positive	Negative	Net	Positive	Negative	Net
Market values						
Foreign exchange contracts:						
Spot, bought	10	(6)	5	13	(1)	12
Spot, sold	4	(14)	(10)	8	(17)	(9)
Forwards/futures, bought	462	(262)	200	1,115	(247)	868
Forwards/futures, sold	278	(348)	(71)	339	(1,001)	(662)
Swaps	146	(63)	82	212	(140)	72
Options, acquired	18	0	18	28	0	28
Options, written	0	(18)	(18)	0	(27)	(27)
Interest rate contracts:						
Spot, bought	1	(2)	(2)	4	(1)	3
Spot, sold	1	(1)	0	1	(4)	(3)
Forwards/futures, bought	3	(1)	2	12	(1)	11
Forwards/futures, sold	0	(5)	(5)	1	(8)	(7)
Forward Rate Agreements, bought	0	(11)	(11)	0	(14)	(14)
Forward Rate Agreements, sold	12	0	12	13	0	13
Swaps	6,756	(7,420)	(664)	10,033	(10,930)	(897)
Options, acquired	292	(2)	290	356	(7)	349
Options, written	6	(212)	(206)	10	(260)	(250)
Equity contracts:						
Spot, bought	2	(2)	0	4	(2)	2
Spot, sold	2	(2)	0	2	(3)	(1)
Forwards/futures, bought	11	(1)	10	0	0	0
Forwards/futures, sold	0	(36)	(36)	0	0	0
Options, acquired	0	0	0	5	0	5
Options, written	0	0	0	0	(5)	(5)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	9	(9)	0	8	(8)	0
Total market values	8,014	(8,417)	(403)	12,164	(12,676)	(512)

* All contracts are non-guaranteed.

DKKm	Total contracts 2015			Total contracts 2014		
	Positive	Negative	Net	Positive	Negative	Net
Average market values						
Foreign exchange contracts:						
Spot, bought	18	(14)	4	16	(13)	3
Spot, sold	22	(26)	(4)	22	(27)	(5)
Forwards/futures, bought	702	(303)	399	456	(188)	268
Forwards/futures, sold	346	(642)	(296)	245	(369)	(124)
Swaps	205	(98)	107	212	(118)	94
Options, acquired	28	0	28	21	0	21
Options, written	0	(30)	(30)	0	(19)	(19)
Interest rate contracts:						
Spot, bought	251	(4)	246	65	(5)	60
Spot, sold	4	(251)	(247)	5	(63)	(58)
Forwards/futures, bought	17	(8)	9	19	(7)	12
Forwards/futures, sold	5	(6)	(1)	8	(6)	2
Forward Rate Agreements, bought	0	(23)	(23)	1	(18)	(17)
Forward Rate Agreements, sold	23	0	23	17	(1)	16
Swaps	8,943	(9,642)	(698)	9,263	(9,932)	(669)
Options, acquired	326	(3)	323	321	(7)	314
Options, written	8	(239)	(231)	14	(239)	(225)
Equity contracts:						
Spot, bought	8	(8)	0	32	(5)	27
Spot, sold	8	(8)	0	5	(30)	(25)
Forwards/futures, bought	4	(14)	(10)	4	(1)	3
Forwards/futures, sold	13	(7)	6	1	(6)	(5)
Options, acquired	2	0	2	1	0	1
Options, written	0	(2)	(2)	0	(1)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	8	(8)	0	8	(8)	0
Total average market values	10,943	(11,338)	(395)	10,736	(11,063)	(327)

Average market value calculations are based on monthly statements.

DKKm	Market values		Collateral		Exposure by counterparty	
	Positive	Negative	Provided	Received*	Amount due	Amount owed
Exposure						
Counterparties with CSA agreements	6,270	7,780	2,474	745	521	302
Counterparties without CSA agreements	1,744	637	-	-	1,442	335
Total	8,014	8,417	2,474	745	1,963	637
Exposure						
Counterparties with CSA agreements	10,148	12,090	3,505	1,415	311	163
Counterparties without CSA agreements	2,016	587	-	-	2,016	587
Total	12,164	12,677	3,505	1,415	2,327	750

* Includes bonds received as collateral not reported in the Bank's balance sheet.

Notes – Risk Management

On the basis of the strategic objectives for the Group, the Board of Directors has issued guidelines for the Group Executive Management and has adopted policies as regards credit risk, liquidity risk, market risk, operational risk, insurance and IT security.

The Board of Directors has set up a Risk Committee to address risk management in greater detail. The Chairman of the Board of Directors is the Chairman of the Risk Committee, which also consists of the Vice-Chairman of the Board of Directors, two ordinary board members, the Bank's CEO, the Bank's Group Executive Vice President responsible for risk management as well as the Group's CRO (Chief Risk Officer). The committee convenes as a minimum every quarter where ongoing reporting to the Board of Directors is reviewed and current issues are discussed. At subsequent board meetings the contents and conclusions of the Risk Committee meetings are presented to the full Board of Directors.

Credits is responsible for the day-to-day handling of credit risk whereas Sydbank Markets is responsible for the day-to-day handling of liquidity and market risks. The individual areas of expertise are each responsible for the day-to-day handling of operational risk. Accounting is responsible for handling the Group's insurances and IT & Business Processes is responsible for the Group's IT security.

Overall risk management, including ongoing reporting to the Group Executive Management and the Board of Directors, is performed by Risk where the Group Executive Vice President is also the CRO of the Sydbank Group.

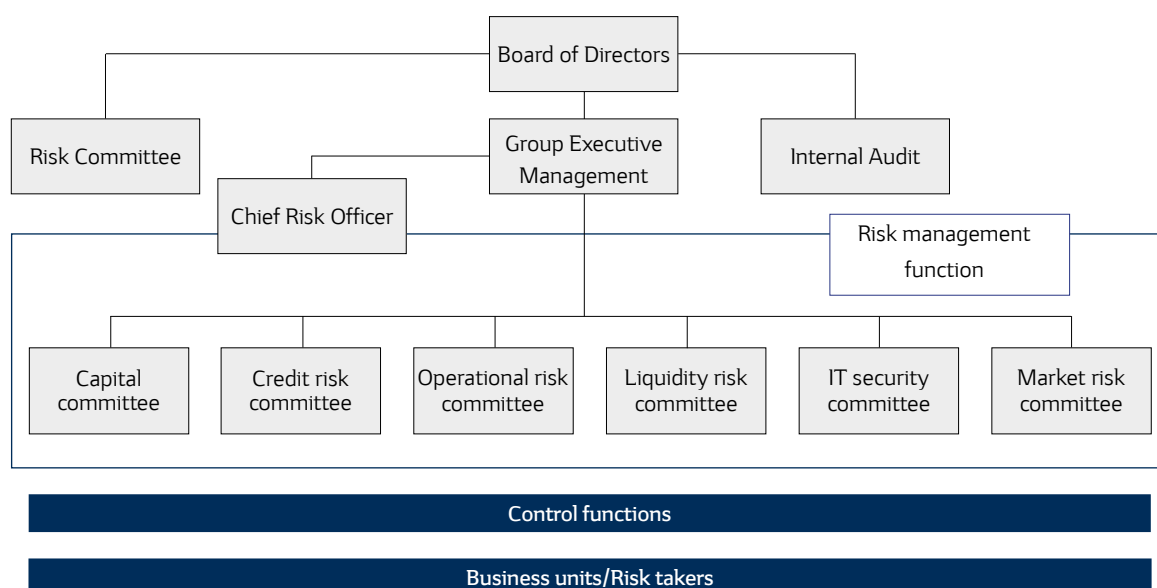
Risk management is supported by the Group's risk organisation, see the chart below.

The relevant areas of expertise are represented in the committees, each headed by a Group Executive Management member. The CRO is a member of all committees.

It is the responsibility of the committees to identify, assess and follow up on the Group's risks within their respective risk areas, including principles to determine risk, models applied, and to assess whether exposures and risks comply with the Group's intended profile and policy.

The committees convene as a minimum every quarter and prepare as a minimum once a year a risk analysis which is included as an important element in the annual risk assessment of the Group.

The risk assessment at 31 December 2015 together with the Group's 2015 financial statements, Credit Risk 2015, the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) at 31 December 2015 and the Group's Internal Capital Adequacy Assessment Process (ICAAP) at 31 December 2015 constitute the main elements of Risk Committee and Audit Committee meetings as well as board meetings at the beginning of 2016. On the basis of the discussions at these meetings the Board of Directors will subsequently update the Group's policies and guidelines.



Credit risk

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

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

Employees with a written lending authority may grant approvals. Such authority is adjusted to the employee's client portfolio and the individual client's rating. In connection with new clients employees have limited lending authority.

Retail clients

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

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

Corporate clients

As a rule corporate clients are serviced by the regional head office or by special corporate departments. The Group's largest and most complex exposures are handled by Corporate Banking & Finance.

The objective is that all small exposures with satisfactory credit quality are approved at regional level. Medium-size and major exposures are approved centrally by Credits, the Group Executive Management or the Board of Directors.

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

Credit activities

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

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

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

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

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

All regional corporate departments have identified weak exposures to which particular focus is given and these exposures are analysed and reviewed via Credits. The objective is to ensure that the Group's action plans for these exposures are evaluated and adjusted on an ongoing basis.

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

Risk Follow-up

Risk Follow-up is part of the division Risk.

By means of analyses, random sampling and inspections at the branches and centrally, Risk Follow-up monitors the credit quality of credit exposures, registrations as well as the compliance with policies and business procedures in general.

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

Moreover Risk Follow-up conducts regular credit quality analyses of the Group's new exposures as well as regular random sampling of the retail and corporate client portfolios.

Finally Risk Follow-up evaluates on the basis of a credit expert assessment whether the Group's rating models rank clients correctly.

Notes – Risk Management

Rating

The Group has developed rating models to manage credit risks to retail, corporate and investment clients. The overriding objective is to constantly monitor the financial circumstances of a client and to identify as early as possible any financial difficulties in order to work out a plan of action in cooperation with the client.

Model development is based on the recommendations submitted by the Basel Committee. Through dialogue with other interested parties in the market (credit institutions, supervisory authorities, rating agencies etc) the Group has ensured that the models comply with market standards.

In connection with the calculation of the Group's Pillar I capital requirement, the Group estimates on an ongoing basis the risk parameters PD, LGD and EAD as regards the Group's retail clients and PD as regards the Group's corporate clients.

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

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

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

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

Expected loss is calculated as follows: $EAD \times PD \times LGD$.

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

- the targeting of sales activities, including pricing
- the assessment and determination of lending authority
- the treatment and follow-up of the risk of loans and credit facilities
- the calculation of collective impairment charges.

Sydbank applies the advanced IRB approach to calculate the capital requirement as regards retail exposures and the foundation IRB approach to calculate the capital requirement as regards corporate exposures.

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

Clients are rated in the three partially independent models described below and all models are based on statistical processing of client data for the purpose of classifying clients according to their probability of default (PD) within the next 12 months.

Retail

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

Corporate

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

Investment

The investment client model is based on the following:

- excess cover within the client's investment exposure
- approved stop loss
- volatility of the investment portfolio
- strength profile of the client.

Exposures outside the rating models

The Group has no internal rating model to assess risk as regards credit institutions and public authorities (governments, regions and municipalities). The Danish FSA has approved the Group's use of the Standardised Approach to calculate risk-weighted assets concerning this asset class.

A small fraction of the exposures are not included in the rating models.

Loans/advances and guarantees by rating category

DKKm	Corporate			Retail			Total		2015
	Loans/ advances	Guaran- tees	%	Loans/ advances	Guaran- tees	%	Loans/ advances	Guaran- tees	
1	1,125	51	2.1	9,445	1,943	34.7	10,570	1,994	14.1
2	10,003	1,644	20.8	7,189	828	24.5	17,192	2,472	22.1
3	12,750	1,096	24.7	4,391	651	15.4	17,141	1,747	21.3
4	9,488	828	18.4	1,791	279	6.3	11,279	1,107	13.9
5	5,180	386	9.9	1,073	149	3.7	6,253	535	7.6
6	3,020	270	5.9	569	89	2.0	3,589	359	4.4
7	948	101	1.9	171	12	0.6	1,119	113	1.4
8	541	76	1.1	136	15	0.5	677	91	0.9
9	4,950	339	9.4	1,697	84	5.4	6,647	423	8.0
Default	1,914	156	3.7	291	11	0.9	2,205	167	2.7
STD/NR	1,104	81	2.1	563	1,409	6.0	1,667	1,490	3.6
Total	51,023	5,028	100.0	27,316	5,470	100.0	78,339	10,498	100.0
Individual impair- ment of loans and advances	2,682			887			3,569		
Collective impair- ment of loans and advances	371			124			495		
Total	47,970	5,028		26,305	5,470		74,275	10,498	
% of total	65	48		35	52		100	100	

The table above shows that corporate loans and advances (including public authorities) account for 65% (2014: 67%) of total loans and advances, and retail loans and advances constitute 35% (2014: 33%). 66% (2014: 58%) of the Group's corporate loans and advances and guarantees are rated in categories 1-4 and 81% (2014: 77%) of the Group's retail loans and advances are rated in categories 1-4.

Moreover the Group has a procedure in place whereby all exposures in arrears for more than 90 days are either approved or transferred to the department for non-performing exposures.

Default

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

- A write-off has been recorded as regards the client.
- The client has at least one non-accrual credit facility.
- An impairment charge/provision has been registered in connection with the client and a loss must be regarded as unavoidable.
- The exposure has been transferred to the Group's central department for non-performing exposures.

Notes – Risk Management

Collateral

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

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

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

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

Two tables illustrating the distribution of collateral by type and rating category, respectively, are shown in [note 16](#).

The tables in [note 16](#) show the amount of loans and advances, guarantees as well as collateral according to rating category. The value of collateral is assessed relative to loans and advances and guarantees and excess collateral is not included in the calculation of collateral. Around half of the Group's loans and advances and guarantees are secured by collateral.

Financial counterparties

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

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

Management grants delivery risk lines and credit risk lines to financial counterparties based on the risk profile of the individual counterparty which is assessed in terms of rating, earnings, capital position as well as the size of the financial counterparty. Risks and lines to financial counterparties are monitored continuously.

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

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

Market risk

Market risk is the risk that the market value of the Group's assets and liabilities will be affected as a result of changes in market prices.

Assuming market risk is considered a natural and integral part of all-round banking. Assuming risk must be on a conscious and well-documented basis. To the extent possible, risk should be assumed in products which offer a possibility of eliminating or mitigating risk at short notice.

Interest rate and foreign exchange risks deriving from deposits by and loans and advances to the Group's clients are hedged on an ongoing basis and are consequently not used for position-taking.

The Group operates with the following types of market risk:

- Interest rate risk
- Equity risk
- Foreign exchange risk
- Other market risks.

For security and control reasons, the Board of Directors emphasises that the Group's market risk is subject to central decision-making and management. Consequently the Group's most significant interest rate, foreign exchange and equity risks must be assumed by the parent.

The Board of Directors has determined the Group's risk tolerance as follows: medium as regards interest rate risk and low as regards the other types of market risk.

Market risk is managed by Sydbank Markets according to policies and limits determined and adopted by the Bank's Board of Directors.

Middle Office in Operations as well as Risk continuously monitor the individual risk areas and provide management with extensive reporting on a regular basis.

Interest rate risk

Interest rate risk comprises the Group's total risk of loss resulting from interest rate changes in financial markets.

The Group uses a cash flow model to determine the interest rate risk of fixed-rate positions. A duration model is used to calculate the interest rate risk of Danish callable mortgage bonds. Interest rate risk makes up the bulk of the Group's overall market risk.

In accordance with the method of calculation of the Danish FSA, interest rate risk is calculated as the change in market values at a parallel shift in the interest rate level of plus 1 percentage point in all currencies and at year-end it represents DKK 307m or 2.8% of the Group's Tier 1 capital.

Interest rate risk by duration and currency

DKKm	0-1 yr	1-2 yrs	2-3 yrs	> 3 yrs	Total 2015	Total 2014
DKK	(5)	7	103	312	417	157
EUR	(9)	43	12	(156)	(110)	(162)
EUR/DKK	(14)	50	115	156	307	(5)
Other	1	(1)	2	(2)	0	1
Total 2015	(13)	49	117	154	307	
Total 2014	21	(17)	91	(99)		(4)

The Group's interest rate risk is attributable to positions with maturities exceeding one year and with a majority placed on maturities exceeding three years. The Group has no significant interest rate risk apart from EUR/DKK.

The Group's interest rate risk is positive, ie the Group's profit will be adversely affected by an interest rate increase, in this case particularly in the event of a rise in long-term interest rates (> 2 years).

The Danish FSA's method of calculation allows full set-off between different currencies, maturities and yield curves. The Group is aware of the risk of these assumptions and monitors these risks separately on an ongoing basis.

The Group has established an internal interest rate risk scenario where set-off between currencies is not allowed – apart from EUR and DKK. Moreover the scenario allocates the interest rate risk to underlying curves (the government curve, the Danish mortgage curve and the swap curve) and the scenario risk cannot be lower than the numerically highest risk of the individual curves. In addition a premium is included for options. At 31 December 2015 this risk measure constitutes DKK 532m (2014: DKK 421m).

The scenario is used eg in connection with the calculation of the Group's solvency need.

Equity risk

The Group's portfolio of shares and holdings in associates represents DKK 1,899m at year-end (2014: DKK 1,761m), including equity investments totalling DKK 1,701m (2014: DKK 1,579m).

Notes – Risk Management

In the event of a 10% change in share prices, profit before tax will be affected by DKK 190m (2014: DKK 176m), including equity investments totalling DKK 170m (2014: DKK 158m).

Foreign exchange risk

As in previous years the Group's foreign exchange risk was insignificant in 2015 and consequently a 10% change in foreign exchange rates against DKK at 31 December 2015 will not affect profit before tax significantly.

Other market risks

The Group does not have any other significant market risks at 31 December 2015.

Liquidity risk

Liquidity risk is the risk that the Group either cannot meet its payment obligations as they mature or is only able to do so via disproportionately large funding costs.

The Bank's Board of Directors has adopted a liquidity risk policy which sets out the framework for the Group's liquidity management, including operational targets for the Group's risk tolerance as well as requirements for the funding structure, the calculation of liquidity buffer and stress tests. Moreover the liquidity risk policy sets out requirements for employee competencies, contingency plans and reporting as well as determines the framework for asset encumbrance and allocation of the Group's liquidity costs.

Targets and policies:

- Consistently strong and stable deposit base which ensures stability in the long-term funding of the Group's lending activities.
- Maintenance of a relatively high level of ratings.
- Active participation in international money markets as well as access to international capital markets through the application of loan programmes. Coupled with a high rating this ensures that the Group has uninterrupted access to a diversified and competitive funding basis.
- Maintenance of a liquidity buffer which together with prudent management of the run-off profile of funding ensures that the Group's operating activities do not depend on capital market funding. In other words the liquidity buffer may in the short and medium term counterbalance the effects of an adverse liquidity situation.

The Bank's Board of Directors determines the Group's risk tolerance as regards liquidity risk. Operational targets for the Group's risk tolerance comprise:

- LCR (Liquidity Coverage Ratio)
- 12-month stress scenario (LCR12)
- Funding ratio (stable funding relative to loans and advances).

LCR and LCR12 are based on a regulatory cautiously determined liquidity buffer involving specific requirements as regards Danish mortgage bonds and the share thereof. The buffer must be sufficient to survive a 30-day stress scenario (LCR) according to regulatory guidance and a 12-month stress scenario according to the Group's guidance (LCR12).

The LCR's 30-day horizon specifies a run-off of the Group's exposures, while taking into account counterparties, funding size, hedging and duration. Consequently the most stable deposits (small deposits covered by a guarantee scheme) are favoured relative to large deposits, in particular large deposits from business enterprises and financial counterparties.

LCR – liquidity calculation	DKKbn
Total liquidity buffer	21.7
Net cash outflows	15.1
LCR (%)	144

The regulatory LCR requirement is 100% and consequently the Group's excess cover is significant at 31 December 2015.

As a consequence of Sydbank's status as a SIFI, the Group has been required to meet the LCR requirement from 1 October 2015, which the Group has done.

Funding ratio	DKKbn
Shareholders' equity and subordinated capital	13.6
Stable deposits (excl repo)	70.7
Total stable funding	84.3
Loans and advances (excl reverse)	74.3
Funding ratio (%)	113

As shown above the Group's stable funding exceeds the Group's loans and advances by DKK 10bn at 31 December 2015.

Reference is made to [note 39](#) for the maturity profiles of the Group's debt exposures.

The Board of Directors' requirements regarding the funding structure are based on the following:

- The Group's funding must be diversified so as to minimise to the extent possible reliance on individual sources.
- Compliance with LCR and the funding ratio target ensures a prudent funding profile and an adequate level of long-term funding.
- LCR and the funding ratio ensure that the higher the level of stable deposits, the lower the necessary level of long-term senior funding. In contrast a falling level of stable deposits will increase the need for long-term funding by way of senior issues.
- Short-term market funding and funding from financial counterparties must predominantly be used to fund short-term placements and investments in securities which can be realised or which are eligible as collateral with Danmarks Nationalbank or the repo market.

Notes – Risk Management

The Group's risk policy states that:

- asset encumbrance may only occur as part of ordinary banking operations and includes securities provided as collateral with the central bank and the repo market, collateral for clearing transactions as well as collateral under CSA agreements
- asset encumbrance may be by way of deposits with credit institutions or securities
- moreover asset encumbrance may be by way of funding of mortgage loans via external counterparties.

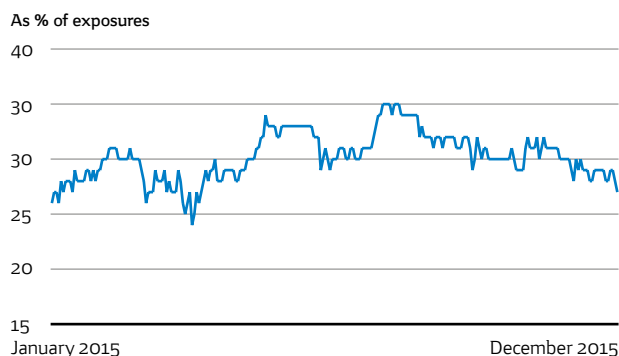
Both requirements were met throughout 2015 with significant excess cover.

Reference is made to [note 36](#) for asset encumbrance.

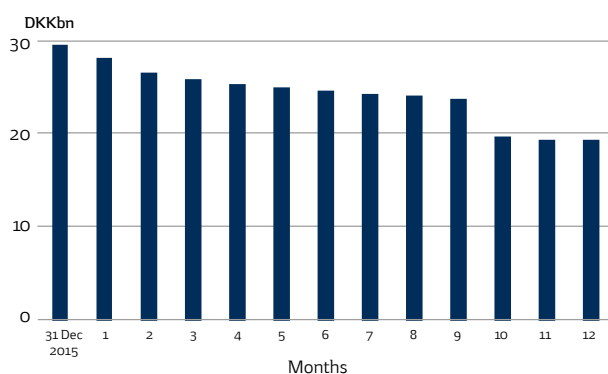
The Group did not issue senior loans during 2015. The Group's remaining bond issue of EUR 500m (DKK 3.7bn) will mature in Q4 2016 and the Group is considering an additional issuance in the course of 2016.

In addition throughout 2015 the Group managed liquidity on the basis of section 152 of the Danish Financial Business Act (10% requirement) and Moody's 12-month liquidity curve (full run-off of market funding).

Liquidity in 2015 - section 152



Moody's liquidity curve



Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

The Group classifies its operational losses in three main groups according to frequency and severity:

- High-frequency, low-severity losses
- Medium-frequency, medium-severity losses
- Low-frequency, high-severity losses.

High-frequency, low-severity losses are handled via the Group's budget and accounting systems. The extent is budgeted on an annual basis and is assessed regularly via accounting follow-up at branch and regional level.

Medium-frequency, medium-severity losses are handled via an internally developed system which collects loss data on an ongoing basis. Collection is electronic and loss data is classified according to event type and business line. Moreover the system ensures compliance with the Group's business procedures for approval, information, accounting and payment, if any.

Low-frequency, high-severity losses are handled manually, both when reporting the event and when reporting to management.

Management receives ongoing reporting as regards all medium-severity and high-severity losses, including distribution by event type and business line as well as developments concerning frequency and size.

On the basis of reported events and trends in other observable data, business procedures and routines are continuously improved in order to minimise the number of errors and events involving a risk of loss.

The Group reviews all business lines annually with the aim of identifying, describing and analysing the largest individual risks where the Group may incur significant losses as well as the relevant business procedures and routines for the purpose of minimising such risks. As in previous years the risk analysis for 2015 shows that the Group has a number of scenarios involving a risk of loss exceeding DKK 25m. As a result of the Group's risk mitigation by way of for instance business procedures and control environment, requirements as regards access and authorisation as well as insurance cover, the probability that the scenarios will result in a loss is considered to be low.

The Group applies the Standardised Approach to calculate the capital requirement in accordance with Basel III.

IT security

Virtually all the Bank's transactions involve the use of IT. This applies to transactions made at the Bank as well as transactions initiated by clients via the various self-service systems made available to them.

Consequently IT supply is a significant aspect of the Bank's operational risk.

On an ongoing basis the Group describes and reviews this area – on an overall level, on a general operational level and system by system. As a result requirements have been specified as regards confidentiality, accessibility and integrity of the individual elements of IT supply. The IT supply requirements are based on the IT security policy formulated by the Board of Directors.

A risk analysis is prepared annually in which the objectives regarding confidentiality, accessibility and integrity of each system are assessed in terms of probability, preventive and corrective administrative and technical measures, as well as implications. As a result of this assessment a risk score is assigned to each system. The Board of Directors reviews, updates and approves the IT security policy on the basis of the risk analysis.

In the IT security policy the Board of Directors assesses the current risk scenario and against this background specifies the requirements for eg accessibility and reliability of the different elements of IT supply, including systems and data. As a result of these requirements, a significant part of the Group's use of IT has been mirrored to minimise the risk of operational disruptions.

The IT security policy applies to all aspects of the Bank's IT use and as such must be respected by Bankdata (the Bank's primary IT supplier) as well as by the business partners to whom Bankdata has further outsourced services, including JN Data, which is responsible for the day-to-day operations, and Nets DanID, which via the NemID system delivers part of the security associated with the systems made available to clients.

Contingency exercises are performed on a regular basis to ensure that the Bank is able to tackle any events that may arise.

In accordance with current anti-terrorism and anti-money laundering rules the Bank must ensure that proof of identity of its clients exists. Moreover the Bank must perform routine testing of transactions submitted through the Bank's systems. Suspicious transactions must be reported.

Notes – Total capital

The Bank is a licensed financial services provider and must therefore comply with the capital requirements determined by the EU.

The capital adequacy rules require a minimum capital level of 8.0% of RWA plus any additional individual capital needed. Detailed rules regulate the calculation of capital as well as RWA.

Total capital is made up of Tier 1 capital and Tier 2 capital. Tier 1 capital comprises shareholders' equity and Additional Tier 1 capital.

The difference between shareholders' equity and total capital is shown in [note 3](#).

The Group's subordinated capital, Additional Tier 1 capital and Tier 2 capital may, subject to certain conditions, be included in total capital. The conditions are specified in CRR. The Group's subordinated capital is shown in [note 32](#).

The Group has determined capital targets and considers a Common Equity Tier 1 capital ratio of 13.5% as well as a capital ratio of 17% as being satisfactory for the years ahead.

The international rating agency Moody's regularly assesses the Group's ability to honour its payment obligations. The rating targets are an essential part of the Group's capital targets because good ratings give the Group access to the capital markets.

In 2015 the Group met regulatory capital requirements as well as internal capital targets.

Management Statement

We have reviewed and approved the 2015 Annual Report of Sydbank A/S.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report is prepared in compliance with Danish disclosure requirements for listed financial companies.

In our opinion the consolidated financial statements and the financial statements give a true and fair view of the Group's and the parent company's assets, shareholders' equity and liabilities and financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015. Moreover it is our opinion that the management's review includes a fair review of the developments in the Group's and the parent company's operations and financial position as well as a description of the most significant risks and elements of uncertainty which may affect the Group and the parent company.

We propose that the Annual Report be submitted for adoption by the AGM.

Aabenraa, 24 February 2016

Group Executive Management

Karen Frøsig
CEO

Bjarne Larsen

Jan Svarre

Board of Directors

Torben Nielsen
(Chairman)

Peder Damgaard
(Vice-Chairman)

Svend Erik Busk

Alex Slot Hansen

Erik Bank Lauridsen

Lars Mikkelsen-Jensen

Frank Møller Nielsen

Jacob Chr. Nielsen

Jarl Oxlund

Bo Normann Rasmussen

Margrethe Weber

Auditors' Reports

Internal Audit

To the shareholders of Sydbank A/S

Internal Audit's report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Sydbank A/S for the financial year 1 January – 31 December 2015. The consolidated financial statements and parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act. Further, the consolidated financial statements are prepared in accordance with Danish disclosure requirements for listed financial institutions.

Basis of opinion

We have conducted our audit in accordance with the Danish Financial Supervisory Authority's Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups and in accordance with International Standards on Auditing. This requires that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

The audit has been performed in accordance with the division of work agreed with the external auditors and has included an assessment of established procedures and internal controls, including the risk management organised by Management aimed at reporting processes and significant business risks. Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the consolidated financial statements and the parent company financial statements. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by

Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We have participated in the audit of material and risky areas and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the established procedures and internal controls, including the risk management organised by Management aimed at reporting processes and significant business risks, are working satisfactorily.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial institutions in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent company financial statements.

Statement on the Management's review

Pursuant to the Danish Financial Business Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aabenraa, 24 February 2016

Ole Kirkbak
Head of Internal Audit

To the shareholders of Sydbank A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Sydbank A/S for the financial year 1 January – 31 December 2015. The consolidated financial statements and parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report is prepared in compliance with Danish disclosure requirements for listed financial companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Business Act (the parent company financial statements) and Danish disclosure requirements for listed financial institutions and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Auditors' Reports

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial institutions in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent company financial statements.

Statement on the Management's review

Pursuant to the Danish Financial Business Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aabenraa, 24 February 2016

Ernst & Young

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard

State Authorised Public Accountant

Klaus Skovsen

State Authorised Public Accountant

Notice Convening the Annual General Meeting

Notice Convening the Annual General Meeting of Sydbank A/S

Sydbank's Annual General Meeting will be held on Thursday 17 March 2016 at 3:00pm
in Sønderjyllandshallen, H.P. Hanssensgade 7, 6200 Aabenraa, Denmark.

Agenda according to Article 8 of the Articles of Association:

1. Report of the Board of Directors on the Bank's activities in 2015.
2. Submission of the audited annual report for adoption.
3. Motion for the allocation of profit or cover of loss according to the adopted annual report.
4. Election of members to the Shareholders' Committee.
5. Appointment of auditors.
6. Motions submitted by the Board of Directors:
 - a. Reduction of the share capital of DKK 20,098,000 to DKK 722,401,990 by cancelling shares.
A resolution will imply the following amendment to Article 2 of the Articles of Association:
"The share capital of the Bank is DKK 722,401,990 divided into shares in denominations of DKK 10. The share capital is fully paid up."
 - b. Authorisation to the Board of Directors to increase the share capital by up to a total of DKK 72,240,199 until 1 March 2021. A resolution will imply the following amendment to Article 3 of the Articles of Association:
*"(1): Until 1 March 2021 the Board of Directors may authorise a share capital increase of up to a total of DKK 72,240,199 in one or more issues. Increases in share capital pursuant to such authorisation may be effected with or without pre-emption rights for the existing shareholders. Increases in share capital shall take place by payment in cash. New shares without any pre-emption rights for existing shareholders shall be offered at market price. Increases in share capital may also be effected by conversion of debt.
(2): Shares issued pursuant to the authorisation in Article 3 (1) above are negotiable instruments, shall be registered in the holder's name and are in all other respects subject to the same provisions and rights as the existing shares."*
It must be noted that the authorisation gives the right to increase the share capital by up to 10% of the existing share capital.
 - c. To amend Article 6 (1) of the Articles of Association to:
"The General Meeting shall be held in Aabenraa and shall be convened by the Board of Directors at a notice of not less than 3 weeks and not more than 5 weeks via the Bank's website (sydbank.dk) as well as in writing to all the shareholders registered in the register of share-

holders who have requested to be notified in this manner."

- d. To amend Article 10 (1) of the Articles of Association to:
"Each share of DKK 10 shall carry one vote at the General Meeting, however no shareholder shall be entitled to cast more than 20,000 votes on his own behalf. No one acting as a proxy shall be entitled to cast more than 20,000 votes."
7. Any other business.

The agenda, complete proposals and audited annual report will be available for inspection by the shareholders at sydbank.dk/generalforsamling and sydbank.com/generalmeeting and at Sydbank's branches no later than three weeks before the General Meeting.

The Bank's share capital totals DKK 742,499,990.
As regards shareholders' voting rights, reference is made to Article 10 of the Bank's Articles of Association.

Shareholders are entitled to attend and to raise questions at the General Meeting and to vote according to the number of shares held by a shareholder on the date of registration, which is 10 March 2016.

Admission cards for the General Meeting can be ordered at any of Sydbank's branches or at sydbank.dk/generalforsamling and sydbank.com/generalmeeting no later than Friday 11 March 2016.

If a shareholder wishes to vote by postal vote or to issue an instrument of proxy to the Board of Directors or others, the necessary documents are available at the Bank's websites. Instruments of proxy must have been received by the Bank no later than 11 March 2016 and postal votes must have been received by the Bank no later than 4:00pm, 15 March 2016.

Aabenraa, 17 February 2016

The Board of Directors of Sydbank A/S
Torben H. Nielsen, Chairman

Board of Directors





Margrethe Weber

Jarl Oxlund

Lars Mikkjelgaard-Jensen

Frank Møller Nielsen

Jacob Chr.
Nielsen

Board of Directors



Chairman

Former Central Bank Governor

Torben Nielsen

Haslev

Born: 2 November 1947

Education: Banking, Graduate Diploma in Organisation, Industrial Sociology, Credits and Finance. Adjunct professor at CBS

Elected to Board of Directors: 2013

Expiry of current term of office: 2016

Independent: Yes

Committee memberships: Chairman of Nomination Committee and Risk Committee, member of Audit Committee and Remuneration Committee.

Directorships and other offices:

Tryg A/S, Vice-Chairman

Tryg Forsikring A/S, Vice-Chairman

DLR Kredit A/S, Board member

Investeringsforeningen Sparinvest, Chairman

EIK banki p/f, Faroe Islands, Chairman

Sampension KP Livsforsikring A/S, Board member

Sampension Administrationsselskab A/S, Board member

Museum Sydøstdanmark, Chairman

Capital Market Partners A/S, Chairman

Bawn Invest ApS, General Manager.

Specific competences: Management, macroeconomics, monetary policy, financial regulation, credit risks and general banking sector conditions.

Attendance record in 2015: 12/12

Number of Sydbank shares at year-end 2015: 2,000

Movement for the year in number of shares: -



Vice-Chairman

General Manager, former Principal

Peder Damgaard

Kruså

Born: 13 December 1956

Education: MSc (Agriculture)

Elected to Board of Directors: 2006

Expiry of current term of office: 2017

Independent: Yes

Committee memberships: Chairman of Remuneration Committee and member of Risk Committee and Nomination Committee.

Directorships and other offices:

Gråsten Andelsboligforening, Executive Board

BHJ Fonden, Chairman

Grænseforeningen, Board member

Sydbank Sønderjyllands Fond, Board member

Sydbank Fonden, Board member.

Specific competences: Management, accounting, economics, mortgage credit and agriculture.

Attendance record in 2015: 12/12

Number of Sydbank shares at year-end 2015: 966

Movement for the year in number of shares: -



General Manager

Svend Erik Busk

Aabenraa

Born: 16 January 1948

Education: State-Authorised Public Accountant

Elected to Board of Directors: 2009

Expiry of current term of office: 2016

Independent: Yes

Committee memberships: Chairman of Audit Committee.

Directorships and other offices:

Bjergmose A/S, Chairman

Van Overbeek ApS, Chairman

Slovakian Farm Invest A/S, Board member

ZENI Arkitekter A/S, Board member

JFJ Invest Haderslev ApS, Board member

Aabenraa Antikvitetshandel, Hans Jørgen Petersen A/S, Supervisory Board.

Specific competences: Accounting, credit risks and operational risks.

Attendance record in 2015: 12/12

Number of Sydbank shares at year-end 2015: 1,500

Movement for the year in number of shares: –



General Manager

Erik Bank Lauridsen

Esbjerg

Born: 31 January 1952

Education: Holder of Business Diploma

Elected to Board of Directors: 2011

Expiry of current term of office: 2017 (To resign in 2016)

Independent: Yes

Committee memberships: Member of Remuneration Committee and Nomination Committee.

Directorships and other offices:

Arnbjerg Pavillonen I/S, Chairman

Concens A/S, Chairman

Holding C.L. A/S, Board member and Executive Board

E. Bank Lauridsen Holding A/S, Board member and Executive Board

Kong Haralds Park 1 A/S, Board member

West-Coast Real Estate A/S, Board member

West-Coast Real Estate II A/S, Board member

REKA Management A/S, Board member

West-Coast Real Estate Herlev A/S, Board member

WCRE Holding A/S, Board member

Europæisk Autoskadecenter A/S, Board member

E.B.L. II ApS, Executive Board

E.B.L. III ApS, Executive Board

Reder Holding ApS, Executive Board.

Specific competences: Management, accounting, financial transactions, trade and real property.

Attendance record in 2015: 11/12

Number of Sydbank shares at year-end 2015: 2,100

Movement for the year in number of shares: –

Board of Directors



Board Chairman

Lars Mikkelsen-Jensen

Rungsted Kyst

Born: 5 August 1954

Education: MSc (Economics)

Elected to Board of Directors: 2015

Expiry of current term of office: 2018

Independent: Yes

Committee memberships: Member of Audit Committee.

Directorships and other offices:

IBM Danmark ApS, Chairman

IBM Pensionsfond (Pensionskasse), Chairman

Design Society (fond), Chairman

Dansk Design Center, Chairman

Dansk Design Center ApS, Chairman

Dansk Industri, Chairman

Vækstfonden, Board member.

Specific competences: IT/Digital.

Attendance record in 2015: 9/10

Number of Sydbank shares at year-end 2015: 350

Movement for the year in number of shares: -50



Danish High Court Attorney

Frank Møller Nielsen

Næstved

Born: 23 October 1956

Education: LLM

Elected to Board of Directors: 2015

Expiry of current term of office: 2018

Independent: Yes

Committee memberships: Member of Nomination Committee.

Directorships and other offices:

ROPOX Holding A/S, Chairman

ROPOX A/S, Chairman

H. Nielsen & Søn A/S, Chairman.

Specific competences: Strategy.

Attendance record in 2015: 10/10

Number of Sydbank shares at year-end 2015: 1,537

Movement for the year in number of shares: +595



CEO

Jacob Chr. Nielsen

Haderslev

Born: 7 June 1973

Education: Graduate Diploma in Business Administration, MBA

Elected to Board of Directors: 2014

Expiry of current term of office: 2017

Independent: Yes

Committee memberships: Member of Audit Committee.

Directorships and other offices:

VIALTIS A/S, Chairman

FDE A/S, Chairman

ITD Holding A/S, Executive Board

ITD, Executive Board.

Specific competences: Management, accounting, insurance, industry, finance and auditing.

Attendance record in 2015: 12/12

Number of Sydbank shares at year-end 2015: 77

Movement for the year in number of shares: –



General Manager

Bo Normann Rasmussen

Charlottenlund

Born: 8 April 1969

Education: Graduate Diploma in Finance, MSc (Actuarial Science)

Elected to Board of Directors: 2015

Expiry of current term of office: 2018

Independent: Yes

Committee memberships: Member of Risk Committee.

Directorships and other offices:

AP Pension Livsforsikringsaktieselskab, Executive Board

AP Investeringsforvaltning A/S, Board member

AP Pensionservice A/S, Executive Board

Foreningen AP Pension F.m.b.A., Executive Board.

Specific competences: Risk management, management, accounting and investment.

Attendance record in 2015: 9/10

Number of Sydbank shares at year-end 2015: 260

Movement for the year in number of shares: +160

Board of Directors



Executive Vice President, Private Banking

Alex Slot Hansen

Vejle

Born: 26 February 1978

Education: Banking, Graduate Diploma in Business Administration

Elected to Board of Directors: 2014

Expiry of current term of office: 2018

Independent: No

Elected by the employees

Committee memberships: Member of Remuneration Committee.

Directorships and other offices: –

Specific competences: Management, economics, investment and accounting.

Attendance record in 2015: 12/12

Number of Sydbank shares at year-end 2015: 57

Movement for the year in number of shares: –



Chairman of Sydbank Kreds

Jarl Oxlund

Herning

Born: 29 April 1967

Education: Banking, Graduate Diploma in Business Administration, MSc (Organisational Psychology)

Elected to Board of Directors: 2014

Expiry of current term of office: 2018

Independent: No

Elected by the employees

Committee memberships: Member of Risk Committee.

Directorships and other offices: –

Specific competences: Accounting, bank products, credit risks and organisation.

Attendance record in 2015: 12/12

Number of Sydbank shares at year-end 2015: 1,200

Movement for the year in number of shares: –



Bank Clerk

Margrethe Weber

Aabenraa

Born: 8 July 1956

Education: Banking, Holder of Business Diploma

Elected to Board of Directors: 1993

Expiry of current term of office: 2018

Independent: No

Elected by the employees

Committee memberships: -

Directorships and other offices:

Specific competences: Bank products and credit risks.

Attendance record in 2015: 12/12

Number of Sydbank shares at year-end 2015: 2,106

Movement for the year in number of shares: -181

Group Executive Management

Bjarne Larsen

Jan Svarre



Karen Frøsig



Group Executive Management



CEO

Karen Frøsig

Bramming

Born: 23 September 1958

Group Executive Management member since: 2008

CEO since: 2010

Directorships:

Ejendomsselskabet af 1. juni 1986 A/S, Chairman

Diba A/S, Chairman

Foreningen Bankdata, Chairman

PRAS A/S, Vice-Chairman

Danish Regional Bankers' Association, Board member

Danish Bankers Association, Board member

DLR A/S, Board member

Totalkredit A/S, Board member

BI Holding A/S, Board member

Musikhuset Esbjerg, Fond, Board member

FR I af 16. september 2015 A/S, Board member

Sydbank Sønderjyllands Fond, Board member

Sydbank Fonden, Board member

Committee on Corporate Governance, Member.

Number of Sydbank shares at year-end 2015: 3,666

Movement for the year in number of shares: -



Deputy Group Chief Executive

Jan Svarre

Fredericia

Born: 6 January 1963

Group Executive Management member since: 2013

Directorships:

Ejendomsselskabet af 1. juni 1986 A/S, Board member

Diba A/S, Board member

Swipp Holding ApS, Board member

Swipp ApS, Board member

Bolighed A/S, Board member.

Number of Sydbank shares at year-end 2015: 2,195

Movement for the year in number of shares: +345



Deputy Group Chief Executive

Bjarne Larsen

Vamdrup

Born: 5 November 1963

Group Executive Management member since: 2013

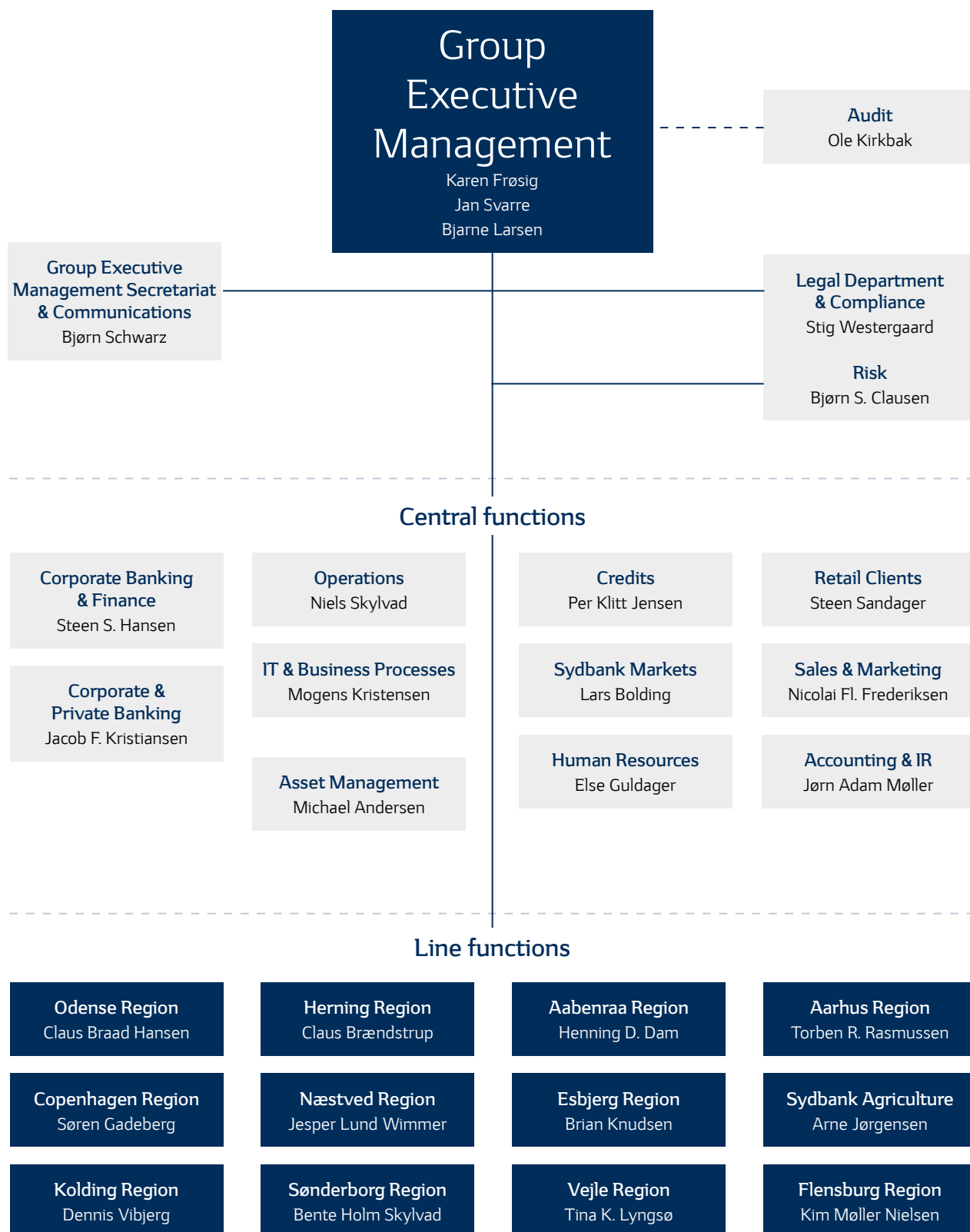
Directorships:

Ejendomsselskabet af 1. juni 1986 A/S, Board member
Diba A/S, Vice-Chairman.

Number of Sydbank shares at year-end 2015: 1,967

Movement for the year in number of shares: –

Organisation





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6200 Aabenraa
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info@sydbank.dk

CVR No DK 12626509

Sydbank