



2014 Annual Report

Sydbank Group

Sydbank



I am very pleased that we are able to pay half of the year's profit as dividend to Sydbank's shareholders.

Anders Thoustrup - Chairman of Sydbank's Board of directors

Sydbank has delivered its best results since 2007 and it is gratifying to see that Sydbank's plan to improve profitability is working.

Karen Frøsig - CEO



Sydbank's 2014 Annual Report

A good performance enabling Sydbank to pay a historically high dividend

CEO Karen Frøsig comments on the financial statements:

- Sydbank has delivered its best results since 2007 and it is gratifying to see that Sydbank's plan to improve profitability is working.
- The sound and stable development continues; Sydbank's loans and advances have increased by almost 3% in a highly competitive market.

2014 highlights

- Core income has risen by 6% to DKK 4,319m compared with 2013 due in part to the acquisition of DiBa Bank.
- Sydbank continues to see an influx of new clients – both retail clients, private banking clients and corporate clients.
- Loans and advances have risen by 2.9% in a declining and highly competitive market.
- Impairment charges for loans and advances constitute DKK 707m. This is at the positive end of expectations.
- Costs (core earnings) have increased by 4% as a result of the integration of DiBa Bank.
- Return on shareholders' equity represents 9.8% after tax.
- Profit for the period amounts to DKK 1,052m – the best annual result since 2007.

Possibility of historically high dividend

Anders Thoustrup, Chairman of the Board of Directors of Sydbank, says:

- In 2014 Sydbank determined new capital targets that are sufficiently prudent and that enable a satisfactory return on shareholders' equity. In other words Sydbank is well-positioned to face the competition in the banking market in the future.

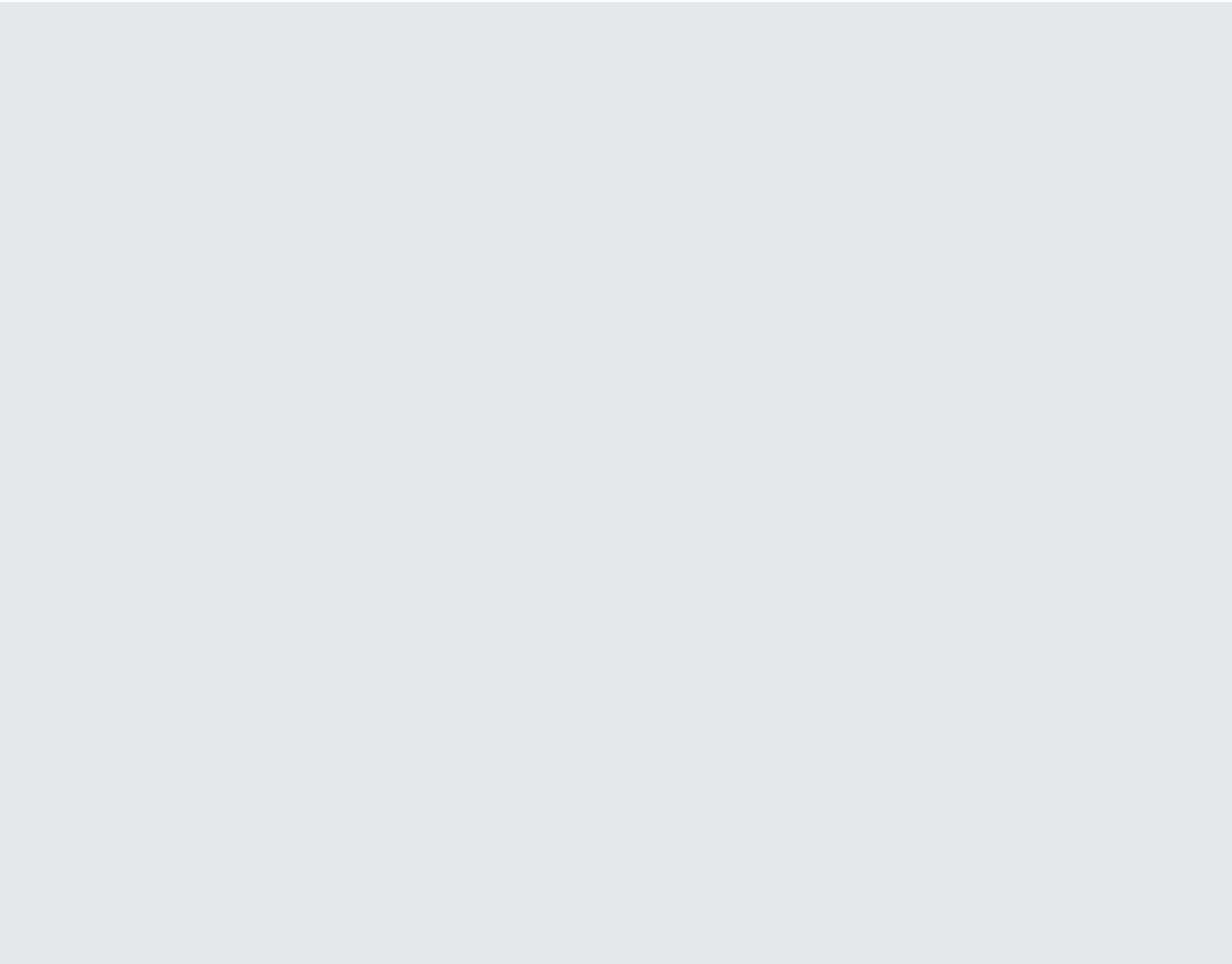
- I am very pleased that we are able to pay half of the year's profit as dividend to Sydbank's shareholders.

Q4 2014

Developments in Q4 were characterised by a stable core income and a continued rise in loans and advances. At the same time jitters in the financial markets resulted in a loss in trading income of DKK 9m. The profit for Q4 2014 amounted to DKK 224m compared to minus DKK 282m in Q4 2013.

Outlook for 2015

Very limited positive economic growth is projected in 2015. Based on the level of interest rates at the beginning of 2015, core income is expected to rise slightly due in part to a slight increase in bank loans and advances resulting from the measures implemented and despite continued fierce competition. The longer the current upward pressure on DKK and by extension the negative interest rate environment last, the greater the uncertainty of the projection. Trading income is projected to remain unchanged or rise slightly relative to income for 2014 but is very dependent on developments in the financial markets. In spite of the general pay rises agreed for the financial sector of 1.75% and a payroll tax increase of 0.80%, costs (core earnings) are expected to remain unchanged. Lower impairment charges are forecast for 2015. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.



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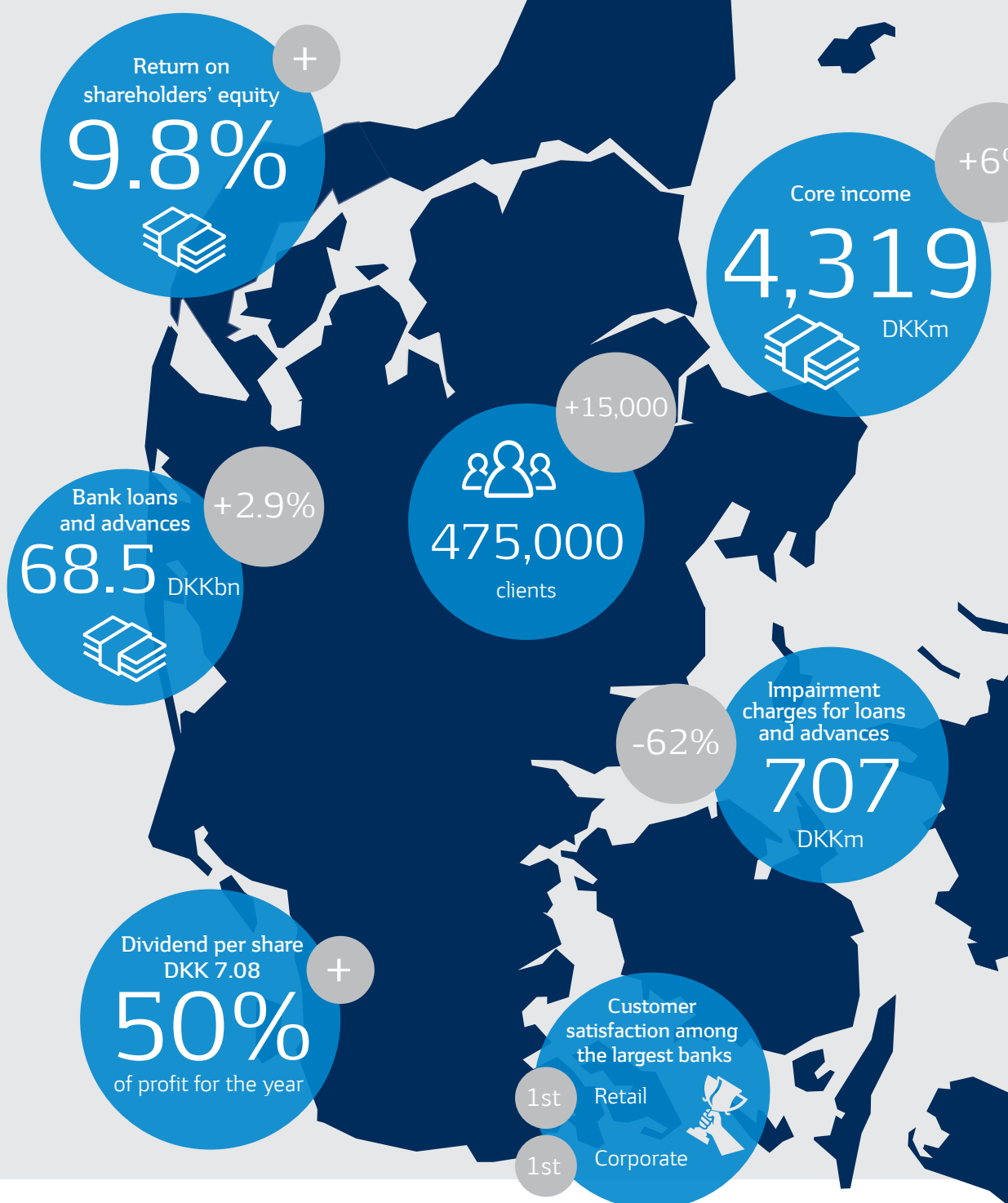
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The 2014 Annual Report is available in Danish at sydbank.dk/regnskab and in English at sydbank.com.
In case of doubt the Danish version will apply.

A good performance enabling Sydbank to pay a historically high dividend

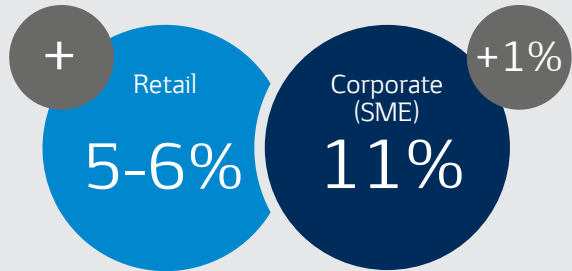


Sydbank 2014

- in numbers



Market shares



Changes in how clients use the Bank



-73%

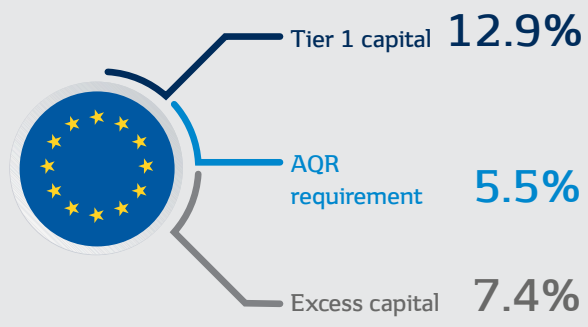
Large decline in number of cash transactions (2008-2014)



+316%

Rising number of MobilBank logins (2012-2014)

Among the strongest banks in the EU



Customer Services

– extended opening hours and short response times

8am-8pm



The average time to answer the phone at Customer Services was 13 seconds on weekdays and 30 seconds at weekends in 2014.

Group Financial Highlights

	2014	2013	Index 14/13	2012	2011	2010
Income statement (DKK m)						
Core income	4,319	4,058	106	4,229	4,080	4,150
Trading income	196	229	86	323	167	444
Total income	4,515	4,287	105	4,552	4,247	4,594
Costs, core earnings	2,619	2,514	104	2,482	2,463	2,479
Core earnings before impairment	1,896	1,773	107	2,070	1,784	2,115
Impairment of loans and advances etc	707	1,861	38	1,748	1,195	1,400
Core earnings	1,189	(88)	-	322	589	715
Investment portfolio earnings	76	319	24	397	(15)	227
Profit before non-recurring items	1,265	231	548	719	574	942
Non-recurring items, net	64	(60)	-	(95)	(273)	(384)
Profit before tax	1,329	171	777	624	301	558
Tax	277	(16)	-	157	113	147
Profit for the year	1,052	187	563	467	188	411
Balance sheet highlights (DKK bn)						
Loans and advances at amortised cost	68.5	66.6	103	68.2	68.8	73.0
Loans and advances at fair value	6.9	4.9	141	6.1	7.7	10.7
Deposits and other debt	73.9	70.0	106	65.7	66.7	64.2
Bonds issued at amortised cost	3.7	6.5	57	4.0	7.5	11.2
Subordinated capital	1.4	1.8	78	1.4	2.1	2.3
Shareholders' equity	11.3	10.2	110	10.0	9.6	9.6
Total assets	152.3	147.9	103	152.7	153.4	150.8
Financial ratios per share (DKK per share of DKK 10)						
EPS Basic	14.3	2.5		6.4	2.6	5.6
EPS Diluted	14.3	2.5		6.4	2.6	5.6
Share price at year-end	190.2	144.0		99.7	90.1	151.3
Book value	154.2	139.7		137.6	131.1	129.8
Share price/book value	1.23	1.03		0.72	0.69	1.17
Average number of shares outstanding (in millions)	73.3	73.4		73.1	73.2	73.5
Proposed dividend	7.08	-		-	-	1.00
Other financial ratios and key figures						
Common Equity Tier 1 capital ratio	13.9	13.4		13.8	13.4	12.7
Tier 1 capital ratio	15.5	15.3		15.6	15.2	14.3
Capital ratio	16.0	15.7		15.9	16.1	15.4
Pre-tax profit as % of average shareholders' equity	12.3	1.7		6.4	3.1	6.0
Post-tax profit as % of average shareholders' equity	9.8	1.8		4.8	2.0	4.4
Costs (core earnings) as % of total income	58.0	58.6		54.5	58.0	54.0
Return on assets (%)	0.70	0.12		0.31	0.12	0.27
Interest rate risk	0.0	0.6		1.8	0.9	1.5
Foreign exchange position	1.8	2.1		0.9	1.6	1.2
Foreign exchange risk	0.0	0.0		0.0	0.1	0.0
Loans and advances relative to deposits	0.8	0.8		0.9	0.9	1.0
Loans and advances relative to shareholders' equity	6.1	6.5		6.8	7.2	7.6
Growth in loans and advances for the year	2.8	(2.3)		(1.0)	(5.7)	(2.0)
Excess cover relative to statutory liquidity requirements	142.2	179.8		127.4	148.7	106.3
Total large exposures	0.0	25.8		21.6	26.3	54.4
Accumulated impairment ratio excl PCA	5.1	5.4		3.8	2.3	2.0
Impairment ratio for the year excl PCA	0.8	2.3		2.2	1.5	1.7
Number of full-time staff at year-end	2,101	2,231	94	2,132	2,152	2,284

Financial ratio definitions on [page 91](#).

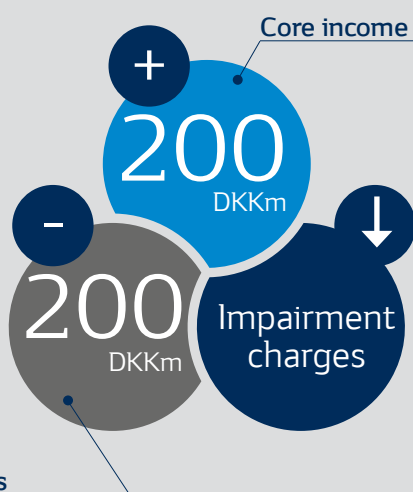
Summary

Best result since 2007

Sydbank's 2014 financial statements show a profit before tax of DKK 1,329m compared with DKK 171m in 2013. The improvement is due to rising core income, lower impairment charges and one-off income. Profit before tax equals a return of 12.3% p.a. on average shareholders' equity. The profit is in line with the expectations presented in the 2013 financial statements.

Profit for the year represents DKK 1,052m against DKK 187m in 2013, equal to a return on average shareholders' equity of 9.8% after tax. This is the best result since 2007.

The plan to improve Sydbank's profitability targets three key areas until 2016:



Increased profitability

The plan to increase the Bank's profitability is progressing as planned. Based on Sydbank's high customer satisfaction, the plan is to ensure by the beginning of 2016:

- an improvement in core income of DKK 200m
- a reduction in costs (core earnings) of DKK 200m
- falling impairment charges for bank loans and advances.

During 2014 Sydbank took a number of initiatives aimed at strengthening core income and reducing costs. In addition there continues to be strong focus on improving credit quality.

Results for 2014

As a result of tough competition in the sector, the Group's net interest income remains under pressure. However the trend towards falling core income throughout 2013 has turned and core income has increased by DKK 261m or 6% to DKK

4,319m as a result of the acquisition of DiBa Bank and following a rise in income from mortgage credit, payment services and other income items.

Trading income has decreased by DKK 33m or 14% compared with 2013.

Total income has increased by DKK 228m or 5% compared with 2013.

Costs (core earnings) are a constant area of focus at Sydbank. During 2014 the Bank maintained tight control of costs (core earnings) which show a declining trend – excluding DiBa Bank.

The integration of DiBa Bank has proceeded satisfactorily. The IT conversion between Sydbank and DiBa Bank has been implemented according to plan. There has been no appreciable loss of DiBa Bank clients.

The Group's impairment charges for loans and advances:

- have declined by DKK 1,154m to DKK 707m compared with 2013
- represent DKK 148m in Q4 2014 incl collective impairment charges of DKK 100m as regards agriculture
- are expected to be favourably impacted in the future by the ongoing activities involving the development of systems and processes to optimise credit management and credit quality.

Core earnings have increased by DKK 1,277m to DKK 1,189m compared with minus DKK 88m in 2013. The improvement is mainly attributable to a decrease in impairment charges for loans and advances as well as a rise in core income.

Together the Group's position-taking and liquidity handling generated investment portfolio earnings of DKK 76m in 2014 compared with DKK 319m in 2013. Income is adversely affected by the sale of strategic positions and reallocation of holdings due to new regulations.

Profit before tax rose to DKK 1,329m in 2014 compared with DKK 171m in 2013. Non-recurring items account for DKK 64m net (2013: minus DKK 60m) of the increase. Tax is calculated at DKK 277m. Profit for the year amounts to DKK 1,052m compared with DKK 187m in 2013. This is the best result since 2007.

Summary

During the year Sydbank recorded an increase in loans and advances of DKK 1.9bn. This is satisfactory given the highly competitive market. Growth in deposits amounted to DKK 3.9bn during the same period.

Return on shareholders' equity before and after tax constitutes 12.3% and 9.8%, respectively, against 1.7% and 1.8% in 2013. Earnings per share has increased from DKK 2.5 to DKK 14.3.

During the year shareholders' equity grew by DKK 1,074m to DKK 11,311m.

At year-end 2014 the Common Equity Tier 1 capital ratio and the capital ratio stand at 13.9% and 16.0%, respectively, compared to 13.4% and 15.7% at year-end 2013.

At 31 December 2014 the individual solvency need represented 10.4% (2013: 10.0%).

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%.

The Group will move closer to meeting the capital targets in the coming years. An adjustment of the Group's capital structure to the capital targets will require subordinated capital to be issued after which share buybacks are believed to be an option.

In 1H 2015 the Board of Directors will commence work on the first phase of the capital adjustment in which the possibility of issuing Tier 2 capital of approx DKK 750m will be reviewed.

Continued influx of clients and high customer satisfaction

Sydbank continues to see an influx of new clients. During the year Sydbank welcomed approx 15,000 new clients (net), bringing the number of clients to approx 475,000 at year-end 2014. Moreover Sydbank is highly satisfied to note that customer satisfaction continues to be very high.

SIFI

In 2014 the Danish FSA designated Sydbank as a systemically important financial institution (SIFI) as Sydbank exceeds the Danish FSA's limit values.

Moreover as a result of the EU stress test conducted in 2014 Sydbank can conclude that the Bank is among Europe's most robust banks.

Outlook for 2015

Very limited positive economic growth is projected in 2015.

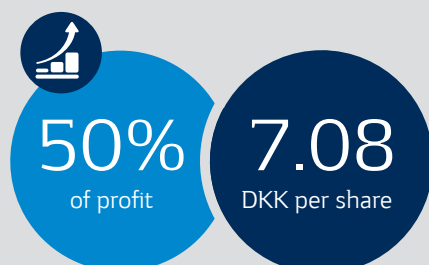
Based on the level of interest rates at the beginning of 2015, core income is expected to rise slightly due in part to a slight increase in bank loans and advances resulting from the measures implemented and despite continued fierce competition. The longer the current upward pressure on DKK and by extension the negative interest rate environment last, the greater the uncertainty of the projection.

Trading income is projected to remain unchanged or rise slightly relative to income in 2014 but is very dependent on developments in the financial markets.

In spite of the general pay rises agreed for the financial sector of 1.75% and a payroll tax increase of 0.80%, costs (core earnings) are expected to remain unchanged.

Lower impairment charges are forecast for 2015. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

The highest dividend in the Bank's history



The highest dividend in the Bank's history

The Board of Directors recommends to the AGM that 50% of the Group's profit, equal to a dividend of DKK 7.08 per share be distributed and that DKK 10m be paid to the sponsorship fund Sydbank Fonden.

Performance in 2014

The Sydbank Group has recorded a profit before tax of DKK 1,329m (2013: DKK 171m). The performance meets the expectations at the beginning of the year. Profit before tax equals a return of 12.3% p.a. on average shareholders' equity.

Profit for the year represents DKK 1,052m against DKK 187m in 2013, equal to a return on average shareholders' equity of 9.8% after tax. This is the best result since 2007.

The financial statements are characterised by the following:

2014

- A rise in core income of 6% partly as a result of the acquisition of DiBa Bank
- A 14% decrease in trading income
- An increase in costs (core earnings) as a result of the acquisition of DiBa
- A 62% decline in impairment charges for loans and advances
- A rise in core earnings of DKK 1,277m to DKK 1,189m
- Investment portfolio earnings of DKK 76m
- Net income from non-recurring items of DKK 64m
- Bank loans and advances of DKK 68.5bn (2013: DKK 66.6bn)
- Bank deposits of DKK 73.9bn (2013: DKK 70.0bn)
- A capital ratio of 16.0%, including a Common Equity Tier 1 capital ratio of 13.9%
- An individual solvency need of 10.4%
- A proposed dividend of DKK 7.08 per share.

Q4

- Impairment charges for loans and advances represent DKK 148m incl collective impairment charges of DKK 100m as regards agricultural exposures
- Profit for the period amounts to DKK 224m.

Income statement

Group (DKKm)	2014	2013
Core income	4,319	4,058
Trading income	196	229
Total income	4,515	4,287
Costs, core earnings	2,619	2,514
Core earnings before impairment	1,896	1,773
Impairment of loans and advances etc	707	1,861
Core earnings	1,189	(88)
Investment portfolio earnings	76	319
Profit before non-recurring items	1,265	231
Non-recurring items, net	64	(60)
Profit before tax	1,329	171
Tax	277	(16)
Profit for the year	1,052	187

Core income

Total core income has increased by DKK 261m to DKK 4,319m.

Net interest has decreased by DKK 47m to DKK 2,521m due in part to a decline in interest margins.

Net income from the cooperation with Totalkredit represents DKK 260m (2013: DKK 209m) after a set-off of loss of DKK 34m (2013: DKK 28m). The cooperation with DLR Kredit has generated an income of DKK 88m (2013: DKK 51m). Compared to 2013 total mortgage credit income has gone up by DKK 95m to DKK 359m – an increase of 36%.

Income from payment services has increased by DKK 52m to DKK 219m compared to 2013 – a rise of 31%.

The remaining income components have risen by DKK 161m compared to 2013, equivalent to 15%.

Core income

Group (DKKm)	2014	2013
Net interest etc	2,521	2,568
Mortgage credit	359	264
Payment services	219	167
Remortgaging and loan fees	127	88
Commission and brokerage	351	320
Commission etc investment funds and pooled pension plans	339	322
Asset management	174	164
Custody account fees	80	79
Other operating income	149	86
Total	4,319	4,058

Trading income

Compared with 2013 trading income has decreased by DKK 33m to DKK 196m and is composed as follows in terms of business units:

Trading income

Group (DKKm)	2014	2013
Fixed Income	58	129
Equities	83	70
Money Market and Foreign Exchange	55	30
Total	196	229

Performance in 2014

The decrease is exclusively attributable to Fixed Income, which recorded a loss of DKK 34m in November and December. The negative development is due to the department being affected by:

- drawings on callable bonds due to increased remortgaging activity
- general re-pricing of ARMs and mortgage bonds
- higher credit premium of corporate bonds
- tight sector liquidity.

Equities has generated a rise in income of 19% to DKK 83m. The department has benefited from the upbeat markets and has seen a large increase in activity.

Finally Money Market and Foreign Exchange has recorded a rise of DKK 25m to DKK 55m.

Costs and depreciation

The Group's costs and depreciation totalled DKK 2,707m, equal to an increase of DKK 72m compared with 2013.

Costs and depreciation

Group (DKKm)	2014	2013
Staff costs	1,564	1,428
Other administrative expenses	933	886
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	96	99
Other operating expenses	114	222
Total	2,707	2,635
Distributed as follows:		
Costs, core earnings	2,619	2,513
Costs, investment portfolio earnings	7	7
Costs, non-recurring items	81	115

Costs (core earnings) represent DKK 2,619m compared with DKK 2,513m in 2013. This development can be attributed to the acquisition of DiBa Bank.

The increase in staff costs is impacted by:

- the takeover of 171 employees from the DiBa Group on 19 December 2013
- a reduction of 130 employees during the year
- a 1.70% pay increase in 2014 relating to collective agreements
- a payroll tax increase of 0.50% in 2014.

At year-end 2014 the Group's staff numbered 2,101 (full-time equivalent).

As a consequence of the Bank's ongoing adjustment of its service concept and its efforts to reduce costs (core earnings), 17 small branches were amalgamated during the year. This brings the number of branches to 82 in Denmark and three in Germany.

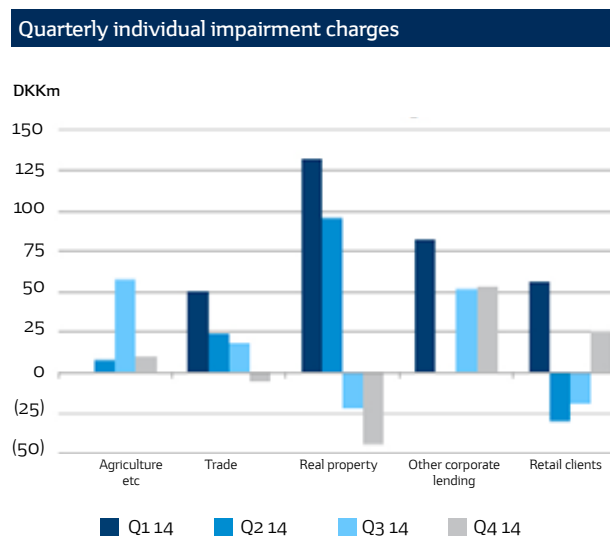
Core earnings before impairment of loans and advances

Core earnings before impairment charges for loans and advances represent DKK 1,896m – an increase of DKK 123m compared with 2013.

Impairment of loans and advances etc

Impairment charges for loans and advances represent DKK 707m against DKK 1,861m in 2013 – a reduction of DKK 1,154m.

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



In Q2 impairment charges regarding agricultural exposures were positively affected by DKK 86m due to rising land prices and adversely affected by DKK 56m due to adjusted valuations of other agricultural assets. In Q3 impairment charges regarding agricultural exposures were adversely affected by several factors, including the trend in settlement prices.

Impairment charges relating to trade showed a declining trend during the period.

Impairment charges relating to real property were positively affected by net reversals of impairment charges in Q3 and Q4.

In Q2 and Q3 impairment charges relating to retail clients were positively affected by net reversals of DKK 30m and DKK 20m, respectively.

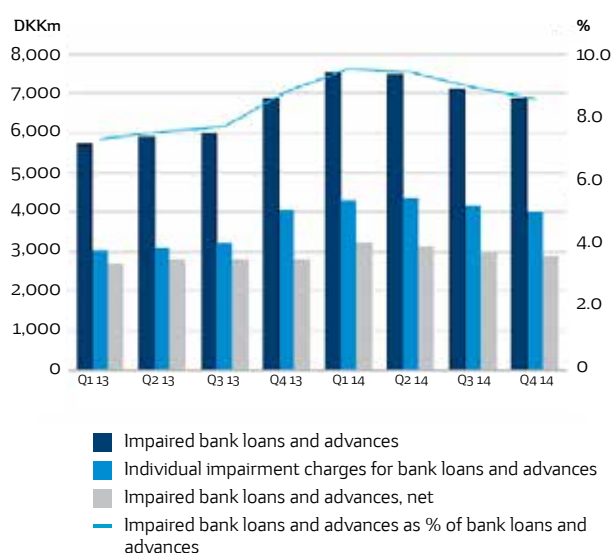
Collective impairment charges were negatively affected in Q3 by adjustments of DKK 24m as a result of the Asset Quality Review conducted and negatively affected in Q3 and Q4 by collective impairment charges regarding agricultural exposures of DKK 25m and DKK 100m, respectively.

In 2014 the agricultural sector in general was in a challenging financial situation due to an overall large debt burden as well as falling settlement prices of farming products – mainly milk and pigs. The development in the world economy – for instance in Russia – also played a part.

At year-end 2014 the impairment ratio for the year represents 0.96% relative to bank loans and advances and 0.82% relative to bank loans and advances and guarantees. Accumulated impairment and provisions amount to DKK 4,412m at year-end 2014.

Impairment charges for the year for bank loans and advances of DKK 707m (2013: DKK 1,861m) consist of DKK 76m (2013: DKK 520m) regarding agriculture, DKK 86m (2013: DKK 227m) regarding trade, DKK 161m (2013: DKK 333m) regarding real property, DKK 187m (2013: DKK 393m) regarding other corporate lending and DKK 33m (2013: DKK 435m) regarding retail clients as well as DKK 164m (2013: minus DKK 47m) regarding collective impairment charges. DKK 125m of the collective impairment charges is attributable to agriculture. Reference is made to the separate publication Credit Risk 2014 for further elaboration.

Individually impaired bank loans and advances



Impaired bank loans and advances before impairment charges total DKK 6,864m – unchanged compared with 2013. During the same period individually impaired bank loans and advances after impairment charges rose by DKK 56m, equal to 2%. Impairment charges for bank loans and advances subject to individual impairment represent 58.2% (2013: 59.1%).

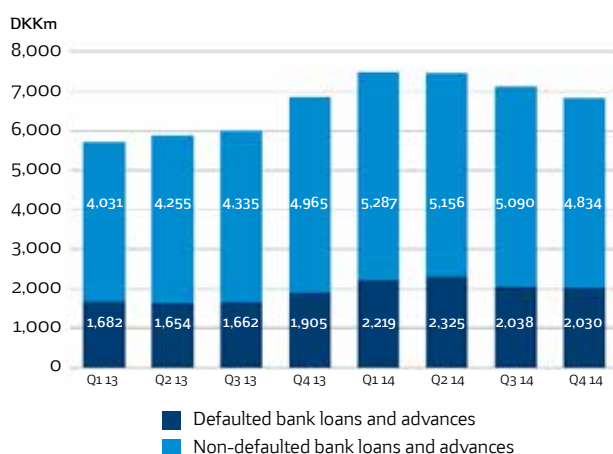
Individually impaired bank loans and advances

Group (DKKm)	2014	2013
Non-defaulted bank loans and advances	4,834	4,965
Defaulted bank loans and advances	2,030	1,905
Impaired bank loans and advances	6,864	6,870
Impairment charges for bank loans and advances subject to individual impairment	3,996	4,058
Impaired bank loans and advances after impairment charges	2,868	2,812
Impaired bank loans and advances as % of bank loans and advances before impairment charges	9.4	9.7
Impairment charges as % of bank loans and advances before impairment charges	5.5	5.7
Impaired as % of impaired bank loans and advances	58.2	59.1
Impairment charges as % of defaulted bank loans and advances	196.8	213.0

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.

Performance in 2014

Breakdown of impaired bank loans and advances



Defaulted bank loans and advances rose by DKK 125m in 2014 whereas non-defaulted bank loans and advances declined by DKK 131m.

Core earnings

Core earnings represent DKK 1,189m – an increase of DKK 1,277m compared with 2013.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling recorded earnings of DKK 76m in 2014 compared with DKK 319m in 2013.

Investment portfolio earnings

Group (DKKm)	2014	2013
Position-taking	75	288
Liquidity generation and liquidity reserves	23	30
Strategic positions	(15)	8
Costs	(7)	(7)
Total	76	319

Earnings were impacted by strategic positions (minus DKK 27m), partly as a result of the write-down of Additional Tier 1 capital and the sale of the Group's portfolio of mortgages.

In 2H the Group gradually adjusted its portfolio in accordance with new regulations – LCR. Consequently short Danish government bonds represent up to 30% of the portfolio at year-end 2014.

The rest of the portfolio continues to consist of Danish mortgage bonds. The interest rate risk at year-end is negative – as a result the Group will profit 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 41m in 2014 compared to DKK 54m in 2013.

Non-recurring items, net

Non-recurring items total a net income of DKK 64m (2013: minus DKK 60m). This item includes:

- one-off income of DKK 148m from the sale of shares in Nets Holding (2013: DKK 55m)
- net integration items concerning DiBa of DKK 48m (2013: DKK 98m) – consisting of an additional interest charge of DKK 4m as regards subordinated capital, costs of DKK 46m and income of DKK 2m from the sale of subsidiaries
- restructuring costs of DKK 35m
- contributions to industry solutions of DKK 1m (2013: DKK 17m).

Profit for the year

Profit before tax amounts to DKK 1,329m (2013: DKK 171m).

Tax represents DKK 277m (2013: income of DKK 16m), equivalent to an effective tax rate of 20.9%. Profit for the year amounts to DKK 1,052m – the best result since 2007.

Return

Return on shareholders' equity before and after tax constitutes 12.3% and 9.8%, respectively, against 1.7% and 1.8% in 2013. Earnings per share has increased from DKK 2.5 to DKK 14.3.

Sydbank – the parent

The Bank's total income before costs and impairment charges for loans and advances represents DKK 4,731m (2013: DKK 4,591m). The income includes the consolidated profit on holdings in associates and subsidiaries of DKK 7m (2013: loss of DKK 69m), including a loss on subsidiaries after tax of DKK 3m (2013: loss of DKK 2m).

Total costs including non-recurring costs of DKK 81m (2013: DKK 19m) constitute DKK 2,720m (2013: DKK 2,537m). An impairment charge of DKK 707m (2013: DKK 1,861m) concerning bank loans and advances has been recorded.

Pre-tax profit amounts to DKK 1,319m (2013: DKK 193m).

Subsidiaries

Profit after tax in Ejendomsselskabet, DiBa and Heering Huse represented DKK 3m (2013: DKK 4m), DKK 7m (in the ownership period 20-31 December 2013: minus DKK 69m) and minus DKK 1m (in the ownership period 2013: DKK 0m), respectively.

The subsidiary bank Sydbank (Schweiz) AG, which has entered into solvent liquidation and is inactive, is expected to be finally wound up in 2015. The subsidiary recorded a post-tax profit of DKK 6m (2013: loss of DKK 6m).

Q4 2014

Profit before tax for the quarter represents DKK 279m.

Compared with Q3 2014 the result before tax shows:

- unchanged core income
- a trading income of minus DKK 9m (Q3: DKK 53m)
- an increase in costs of DKK 12m
- an increase in impairment charges for loans and advances of DKK 19m
- investment portfolio earnings of minus DKK 5m (Q3: DKK 44m)
- non-recurring items, net of minus DKK 20m (Q3: minus DKK 23m).

Tax represents DKK 55m and profit for the period amounts to DKK 224m in Q4 2014.

Profit for the period

Group (DKKm)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Core income	1,094	1,094	1,076	1,055	1,011
Trading income	(9)	53	66	86	37
Total income	1,085	1,147	1,142	1,141	1,048
Costs, core earnings	633	621	661	704	600
Core earnings before impairment	452	526	481	437	448
Impairment of loans and advances etc	148	129	111	319	888
Core earnings	304	397	370	118	(440)
Investment portfolio earnings	(5)	44	(47)	84	42
Profit/(Loss) before non-recurring items	299	441	323	202	(398)
Non-recurring items, net	(20)	(23)	(22)	129	(47)
Profit before tax	279	418	301	331	(445)
Tax	55	104	73	45	(163)
Profit for the period	224	314	228	286	(282)

Performance in 2014

Total assets

The Group's total assets made up DKK 152.3bn at year-end 2014 against DKK 147.9bn at year-end 2013.

Assets

Group – year-end (DKKbn)	2014	2013
Amounts owed by credit institutions etc	10.2	11.7
Loans and advances at fair value (reverse transactions)	6.9	4.9
Loans and advances at amortised cost (bank loans and advances)	68.5	66.6
Securities and holdings etc	37.9	40.6
Assets related to pooled plans	10.8	10.2
Other assets etc	18.0	13.9
Total	152.3	147.9

The Group's bank loans and advances total DKK 68.5bn. Compared to 2013 this is an increase of DKK 1.9bn or 2.9%, which consists of a slight increase in corporate lending and a rise in mortgage loans to the retail segment.

Shareholders' equity and liabilities

Group – year-end (DKKbn)	2014	2013
Amounts owed to credit institutions etc	32.1	31.0
Deposits and other debt	73.9	70.0
Deposits in pooled plans	10.8	10.2
Bonds issued	3.7	6.5
Other liabilities etc	18.8	18.0
Provisions	0.3	0.2
Subordinated capital	1.4	1.8
Shareholders' equity	11.3	10.2
Total	152.3	147.9

The Group's deposits make up DKK 73.9bn. This is an increase of DKK 3.9bn or 5.6% compared to 2013. The composition of deposits has been strengthened via an increase in demand deposits of DKK 4.6bn and an increase in time deposits of DKK 0.7bn as well as a decline of DKK 1.4bn regarding special categories of deposits as a result of conversions of capital pensions to retirement savings plans.

Subordinated capital

At end-February 2014 Sydbank redeemed a senior loan of EUR 500m. Moreover DiBa redeemed Tier 2 capital amounting to DKK 100m and government Additional Tier 1 capital of DKK 161m in February 2014 as well as Tier 2 capital of DKK 150m in May 2014.

The Sydbank share

	2014	2013
Average number of shares outstanding	73,310,052	73,409,670
Number of shares outstanding at year-end	73,355,021	73,288,716
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 2014. The number of shares outstanding increased from 73,288,716 (98.71%) at the end of 2013 to 73,355,021 (98.79%) at the end of 2014. The book value of the Sydbank share represents 154.2 (2013: 139.7). At year-end 2014 the closing price of the Sydbank share stood at 190.2 and share price/book value at 1.23.

Shareholders' equity

At year-end 2014 shareholders' equity constitutes DKK 11,311m – an increase of DKK 1,074m since 1 January. The change comprises additions from profit for the year of DKK 1,052m, net sales of own shares of DKK 13m, net additions from revaluation reserves of DKK 14m, disposals deriving from reversed revaluation reserves on sold properties of DKK 1m and a donation of DKK 4m to the sponsorship fund Sydbank Fonden.

Capital

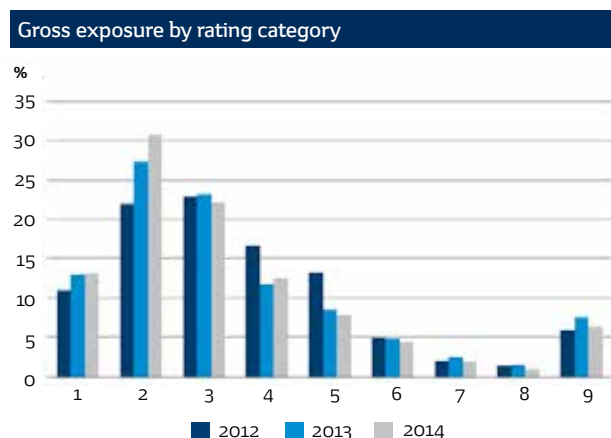
Since year-end 2013 risk-weighted assets – adjusted for CRD IV – have increased by DKK 1.0bn to DKK 72.5bn. Credit risk has increased by DKK 1.7bn as a result of rising loans and advances and guarantees. The rise is attributable to short-term remortgaging guarantees regarding agriculture. Market risk has declined by DKK 2.2bn mainly as a result of lower interest rate risk. Other exposures have risen by DKK 1.2bn primarily due to further purchases of shares in DLR Kredit.

Risk-weighted assets

Group – year-end (DKKbn)	2014	2013*	2013
Credit risk	49.4	47.7	51.2
Market risk	8.0	10.2	10.2
Operational risk	8.6	8.3	8.3
Other exposures incl CVA	6.5	5.3	3.0
Total	72.5	71.5	72.7

* Adjusted for CRD IV

The development in the breakdown by rating category from 2012 to 2014 appears below.



The gross exposure consists of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown of rating categories. Impairment charges for exposures have not been deducted from the 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 97](#) and the separate publication Credit Risk 2014.

Solvency

Group – year-end (DKKm)	2014	2013*	2013
Risk-weighted assets	72,467	71,499	72,749
Common Equity Tier 1 capital	10,101	9,799	9,722
Tier 1 capital	11,209	11,037	11,108
Total capital	11,595	11,586	11,430
CET1 ratio	13.9	13.7	13.4
Tier 1 capital ratio	15.5	15.4	15.3
Capital ratio	16.0	16.2	15.7

* Adjusted for CRD IV

At year-end 2014 the Common Equity Tier 1 capital ratio and the capital ratio stand at 13.9% and 16.0%, respectively, compared to 13.4% and 15.7% at year-end 2013.

In 2014 the capital ratio was positively affected by the transition to CRD IV (+0.5 percentage points), profit for the year etc (+1.5 percentage points) and the decline in market risk (+0.5 percentage points) and negatively affected by the proposed dividend (-0.7 percentage points), the redemption of subordinated capital in DiBa (-0.4 percentage points), the purchase of DLR shares (-0.5 percentage points) and the increase in credit risk etc (-0.6 percentage points).

At 31 December 2014 the individual solvency need represented 10.4% (2013: 10.0%).

Solvency of the parent

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

Capital policy

Given the Group's good liquidity and capital, the capital policy has been updated so that it provides constant support to 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.

The Group will move closer to meeting the capital targets in the coming years. An adjustment of the Group's capital structure to the capital targets will require subordinated capital to be issued after which share buybacks are believed to be an option.

In 1H 2015 the Board of Directors will commence work on the first phase of the capital adjustment in which the possibility of issuing Tier 2 capital of approx DKK 750m will be reviewed.

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 minus DKK 4m at 31 December 2014 (2013: DKK 80m). The Group's exchange rate risk continues to be very low and its equity risk modest.

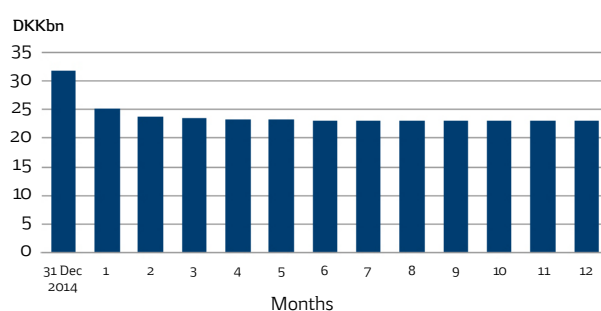
Performance in 2014

Funding and liquidity

The Group's liquidity measured under the 10% statutory requirement constitutes 24.2% at year-end 2014.

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: Negative
- Long-term debt: Baa1
- Short-term debt: P-2
- Bank financial strength: C-

Shareholders

In 2014 the Sydbank share yielded a return of 32% (2013: 44%) as a result of the increase in the share price during the year. The Board of Directors recommends to the AGM that 50% of the Group's profit, equal to a dividend of DKK 7.08 per share, be distributed and that DKK 10m be donated to the sponsorship fund Sydbank Fonden.

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 of the Supervisory Diamond benchmarks at year-end 2014 are shown below:

Supervisory Diamond benchmarks

Group	2014	2013
Sum of large exposures < 125%	0	26
Growth in loans and advances < 20% annually	3	(2)
Commercial property exposure < 25%	9	11
Funding ratio < 1	0.78	0.78
Excess cover relative to statutory liquidity requirements > 50%	142	180

At 31 December 2014 the Group as well as the parent comply with all the benchmarks of the Supervisory Diamond.

Comprehensive assessment of the health of European banks

In 2014 Sydbank participated in a comprehensive assessment of the financial health of European banks.

The assessment, carried out across 123 banks, seeks to assess the resilience of European banks, including banks' solvency, to severe shocks under hypothetical adverse scenarios.

The comprehensive assessment comprised two elements:

1. Asset quality review (AQR)
2. EU stress test 2014.

Asset quality review (AQR)

The AQR increases the transparency of banks' exposures, including the valuation of assets and the adequacy of the value adjustments made.

The AQR was conducted by the Danish FSA according to guidelines established by the European Central Bank (ECB). The AQR was more comprehensive compared with previous analyses conducted by the Danish FSA.

The Danish FSA ascertained that there was a need for additional impairment charges at 31 December 2013 of DKK 75m, which is considered insignificant.

The need for impairment charges of DKK 75m is composed of:

- individual impairment charges of DKK 51m which are included in the impairment charges for Q1 2014
- collective impairment charges of DKK 24m which are included in the impairment charges for Q3 2014.

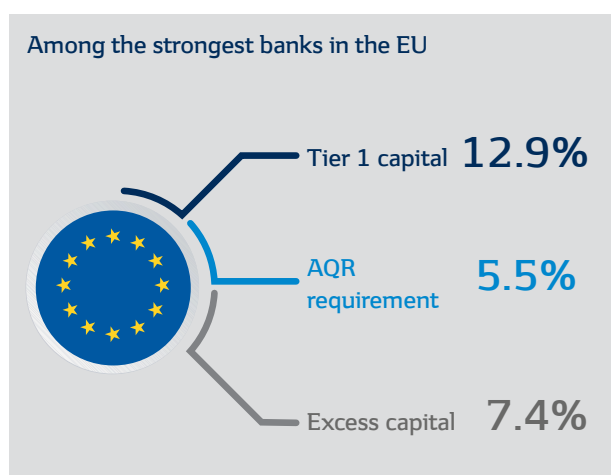
EU stress test 2014

Sydbank is pleased that the EU-wide stress test was conducted and pleased with the Group's individual results indicating:

- great resilience to adverse economic developments in the period 2014-2016
- no appreciable exposure to governments and banks in countries with increased risk
- a very robust capital structure.

Under the baseline scenario Sydbank's CET1 ratio rises to 15.5% in 2016 compared with 13.7% at year-end 2013, equal to 7.5 percentage points more than the fixed minimum of 8.0%.

Under the adverse scenario Sydbank's CET1 ratio decreases to 12.9% in 2016 compared with 13.7% at year-end 2013, equal to 7.4 percentage points more than the fixed minimum of 5.5%.



Leverage ratio

CRR/CRD IV require credit institutions to calculate, report and monitor their leverage ratio which is defined as Tier 1 capital as a percentage of total exposure. According to this definition the Group's leverage ratio stood at 6.6% at 31 December 2014. The final legislation on the leverage ratio is expected to take effect in 1H 2015.

SIFI

Sydbank has been designated as a SIFI in Denmark and will be subject to a further buffer requirement of 0.2% as regards Common Equity Tier 1 capital as of 2015. 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 – BRRD

The new 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 rules, is expected to be implemented in Danish law by 1 June 2015.

According to the directive each credit institution will be required to meet a minimum requirement for total capital and eligible liabilities expressed as a percentage of the total liabilities and total capital of the credit institution. The Danish FSA has been authorised to set the percentage for individual credit institutions.

Moreover a resolution fund will be established and credit institutions must make contributions to the fund in proportion to their relative size and risk in Denmark. The resolution fund must have financial assets at its disposal equal to at least 1% of the covered deposits of all Danish credit institutions by 31 December 2014.

Outlook for 2015

Very limited positive economic growth is projected in 2015.

Based on the level of interest rates at the beginning of 2015, core income is expected to rise slightly due in part to a slight increase in bank loans and advances resulting from the measures implemented and despite continued fierce competition. The longer the current upward pressure on DKK and by extension the negative interest rate environment last, the greater the uncertainty of the projection.

Trading income is projected to remain unchanged or rise slightly relative to income in 2014 but is very dependent on developments in the financial markets.

In spite of the general pay rises agreed for the financial sector of 1.75% and a payroll tax increase of 0.80%, costs (core earnings) are expected to remain unchanged.

Lower impairment charges are forecast for 2015.

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 capital ratios, 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 that is 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 of 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 address identified risks. The Group's Chief Risk Officer is a member of all committees, see Risk Management on [page 96](#).

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 analysis.

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. The 8+ calculation complies with the Danish guidance on the adequate total capital and solvency need of credit institutions. At year-end 2014 add-ons were made in relation to credit risk, market risk and operational risk.

The models used to calculate Pillar I 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	5,174	7.2
Market risk	900	1.2
Operational risk	936	1.3
Other exposures	518	0.7
Adequate total capital/solvency need	7,528	10.4

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 2014:

Capital structure

	DKKm	% of RWA
Adequate total capital/solvency need	7,528	10.4
Excess capital	4,068	5.6
Total capital	11,596	16.0

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 2014 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. GDP on an annual basis is expected to develop positively in 2015 and 2016. Unemployment will remain at its current level in 2015 and 2016.

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 2015 and 2016 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.

Debt crisis which reflects that the latest developments in Greece will trigger another debt crisis resulting in a new downturn for Europe's economy and investors fleeing from debt-ridden countries. Danish economic growth will be slightly negative and unemployment will be higher than in the mild recession scenario. At the same time Denmark, via its status as a safe haven, will attract foreign capital, which will push interest rates lower than in the base case scenario.

Deflation which reflects that the crisis in Denmark and the euro area will lead to deflation where the overall level of prices will drop. A continued decline in interest rates is forecast, similar to that witnessed in Japan. The recession will be roughly as severe as in the global crisis scenario, as will the drop in house prices. The rise in unemployment is forecast to be slightly lower than in the global crisis scenario.

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 but the decline in asset prices will be more substantial. The rise in unemployment is forecast to be slightly lower than in the global crisis scenario.

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 2014 the Group has fully complied with external as well as internal capital requirements.

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 six 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 aims to do business with its clients on the basis of long-term customer relationships.



Sydbank is a financial institution that focuses on traditional banking. As a service undertaking Sydbank's primary objective is to meet the financial requirements of its clients. 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 unique situation. The Bank uses business partners for a wide variety of financial services, for instance mortgage credit and insurance.

Values and attitudes

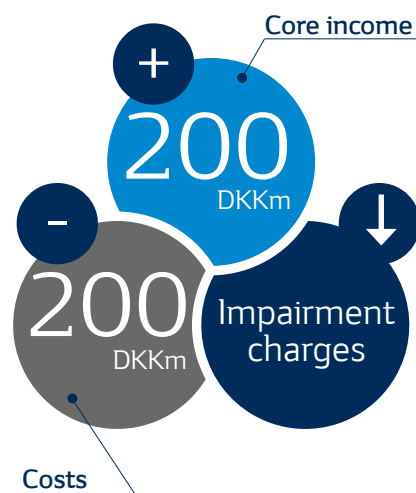
Sydbank's cooperation with its clients and other stakeholders is based on a number of strong values and business principles. Sydbank's values are expressed in the statement: "Excellence and relationships create value" as well as the Bank's stakeholder policy formulated in 2014.

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 the Bank's stakeholders fairly, properly and respectfully.
- Sydbank will base its decisions on dialogue with significant stakeholders.
- Sydbank will communicate with relevant stakeholders based on facts, in due time, comprehensibly and precisely.

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 financial market.

The plan to improve Sydbank's profitability targets three central areas until 2016:



Profitability plan

At the end of Q1 2014 Sydbank launched a business plan intended to create increased profitability while retaining the Bank's high customer satisfaction.

Sydbank's plan for increased profitability and continued high customer satisfaction runs until the beginning of 2016 and is based on the following:

- Core income is to be strengthened by DKK 200m compared to the level at the end of 2013.
- Costs (core earnings) are to be reduced by DKK 200m gross compared to the level at the end of 2013. DKK 50m of the savings will be allocated to supplementary training, product development and IT investments.
- Lower impairment charges through focus on credit quality and development of systems and procedures.

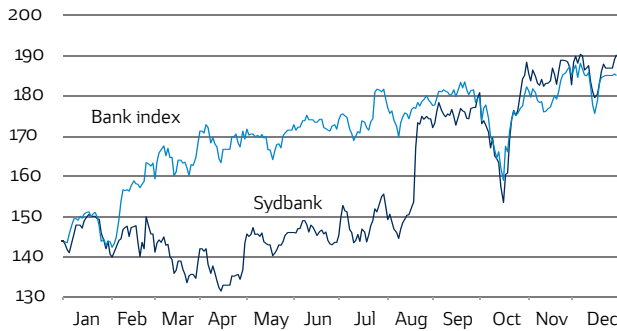
Given the performance in 2014 Sydbank has taken an important step towards realising the Bank's profitability plan and the Bank will continue to proceed as planned.

Financial goals

The Group aims to generate over time financial results that satisfy shareholders' long-term return expectations. The total capital must exceed the capital needed as calculated by the Bank including a buffer to adequately resist significant cyclical fluctuations and one-off events.

Mission Statement and Business Goals

Share price developments 2014



1 January 2014 = index 144.0, ie Sydbank's share price

The Sydbank share

At year-end 2014 Sydbank's shareholders numbered 130,000. The share price (DKK 10 each) stood at 190.2 at year-end 2014 against 144.0 at year-end 2013.

Clients and business areas

Sydbank's primary objective is to meet the financial requirements of its clients. Historically the Bank's clients have been among the most satisfied in the sector and the Bank aims to retain this position.

Sydbank sees a steady influx of new clients. In 2014 the Bank recorded a net client inflow of 15,000. This is satisfactory in a competitive market characterised by low growth. At year-end 2014 Sydbank's clients numbered 475,000, including 43,000 corporate clients.

Satisfactory influx of 15,000 new clients



Client policy

In 2014 Sydbank introduced a new client policy. The basis of this policy is 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. The Bank has the proximity and decentralised

decision-making authority of a local bank, yet the production resources and product range of a large bank.

Customer satisfaction

In 2014 Sydbank saw continued high customer satisfaction among corporate as well as retail clients.

The most satisfied corporate clients



Among Denmark's largest banks (Source: Aalund 2014)

In 2014, for the 13th consecutive year, Sydbank had the most satisfied corporate clients among the largest banks in the sector according to the annual Aalund Business Research poll. Sydbank achieved a total satisfaction score of 8.0 on a scale from 1 to 10.

The annual EPSI poll of retail clients' satisfaction with their bank showed that Sydbank also has the most satisfied retail clients among the largest Danish banks. Among all individually measured banks Sydbank is number two with a score of 73.5 out of 100.

Integration of DiBa Bank

In 2014 the now former DiBa Bank became an integrated part of Sydbank. Sydbank is satisfied with the integration of DiBa Bank which proceeded as planned. The bank has retained its business volume and has not recorded any decrease in its activity level. As a result Sydbank strengthened its position significantly in Zealand in 2014.

After the integration of DiBa Bank Sydbank has continued to use the trademark DiBa Billån, which continues to operate as an independent car finance trademark. Since Sydbank's acquisition of DiBa Bank the product range of DiBa Billån has been expanded, for instance with more insurance solutions.

Retail

Sydbank operates its business focusing on the Bank's own services and products and ongoing product innovation to meet clients' requirements. To supplement Sydbank's own products and services the Bank has concluded cooperation agreements with subsuppliers from outside the classic banking product range. The primary mortgage credit partners are Totalkredit,

Nykredit and DLR Kredit and the Bank's life insurance partners are Topdanmark and PFA.

In 2014 Sydbank increased its focus on the bank clients of the future through its 18/25 concept which targets young clients and students. A strong campaign aimed at this client segment was implemented in 2014 and a special product range has been created. One example is deposits with an interest rate of up to 4%.

Also in 2014 the first steps were taken towards developing tomorrow's concept for retail clients at Sydbank. In the future Sydbank's retail segment will be characterised by considerable freedom of choice for the Bank's clients and a large degree of flexibility in the individual client's business relationship with Sydbank. The intention is to strengthen Sydbank's competitiveness by enhancing the high customer satisfaction and customer loyalty and ensure even more targeted and competent advisory services based on the client's requirements and free choice.

Private Banking

Private Banking offers services within wealth management, investment management, pension, tax etc. If the private banking client owns a business, Sydbank ensures the best possible interplay between the client's personal finances and business finances to maximise the return on the client's assets.



In 2014 Sydbank implemented a new and more client-focused organisation in the Private Banking area. The new organisation incorporates a strongly decentralised focus with a physical private banking centre in each of the Bank's 10 regions.

The purpose of this new and more client-oriented organisation is to ensure even more value-creating advisory services to individual private banking clients. The advisory services are provided by a dedicated private banking adviser backed by a targeted team of experts assembled around the individual client

as and when needed. The team at the client's disposal provides advisory services on eg investments, wealth management and current financial circumstances. If further requirements arise, experts from the Bank's central functions are called upon.

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.

Sydbank prioritises swift responses to corporate clients as well as direct and personal contact with each client. In the Bank's opinion this is the best starting point for a loyal, flexible and value-creating business relationship for both the client and Sydbank.

Within the corporate area Sydbank offers financing solutions tailored to the requirements of the individual enterprise and 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. In addition Sydbank provides leasing of for instance machinery and cars to corporate clients via Sydbank Leasing.

Sydbank's corporate clients have access to efficient international commercial banking services. For example when enterprises seek efficient payment services and cash management solutions, Sydbank offers payment 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.

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.

Advice and settlement in connection with documentary credit, debt collection and guarantee transactions as well as export finance is also a field of special expertise at Sydbank.

Mission Statement and Business Goals

In 2014 Sydbank implemented a new and more client-oriented organisation for the corporate area. 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.

The new client-oriented organisation ensures that individual corporate clients receive advisory services that match the situation and requirements of the individual enterprise with the assistance of a personal adviser.

Asset management

Sydbank offers advice and management to for instance investment funds, pension pools, foundations and institutional clients as well as to large, wealthy clients through individual portfolio management agreements. Moreover the Bank offers investment allocation models including PengePlan® to its other clients.

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

Asset management

DKKbn	2014	2013
Pooled pension plans	11	10
PengePlan®	9	4
PM mandates	13	12
Management agreements	3	3
Investment funds and hedge funds	47	46
Total	83	75

Custody account volume

DKKbn	2014	2013
Retail and corporate clients	98	90
Pooled pension plans	11	10
Financial institutions	5	5
Investment funds and hedge funds	44	43
Total	158	148

Custody account volume distribution – retail and corporate clients

DKKbn	2014	2013
Danish bonds	13	15
Foreign bonds	4	4
Danish shares	29	24
Foreign shares	5	5
Investment funds and hedge funds	47	42
Total	98	90

Overall, asset management is a growth area. Assets under management have climbed by approximately 10% at year-end 2014 compared with the previous year. The development predominantly reflects a rise in the sale of PengePlan® as well as the fact that in 2014 the financial markets were generally characterised by decent price increases as regards most share and bond areas.

Around 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.

Agriculture

Sydbank Agriculture provides advisory services to Sydbank clients who operate full-time agricultural holdings. Clients of Sydbank Agriculture receive financial advisory services tailored 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 three agricultural centres in Rødekro, Varde and Horsens. Moreover the Bank has agricultural advisers at Sydbank's branches in Aalborg, Svendborg and Slagelse.

Until mid-2014 milk and pig prices developed favourably but Russia's import ban on pigs and reduced demand for milk powder from China prompted falling prices as regards pigs and milk from mid-2014. Given the current price level and the forecasts for 2015 declining earnings are expected in the agricultural industry in 2015. As a result of the current price levels the agricultural sector is generally in a challenging situation, however the situation varies considerably from farm to farm in terms of production efficiency, earnings capacity and debt ratio.

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

Sydbank in Germany

Sydbank in Germany targets Danish corporate clients who trade with Germany as well as German corporate and private banking clients. The Bank's areas of expertise such as private banking as

Changes in how clients use the Bank



-73%

Large decline in number of cash transactions
(2008-2014)



+20%

Rising number of NetBank logins
(2011-2014)



+316%

Rising number of MobilBank logins
(2012-2014)

well as financial and wealth advisory services are also available at Sydbank in Germany. Furthermore Sydbank in Flensburg services retail clients such as commuters across the Danish-German border.

In 2014 Sydbank changed its focus in Germany and in future the Bank will concentrate on Northern Germany and Hamburg. Consequently the Bank serves its clients from three branches in Germany - Flensburg, Hamburg and Kiel.

Organisation, distribution and staff

Sydbank aims to serve its clients on the basis of their requirements. Clients increasingly prioritise that their bank enables them to carry out their banking transactions whenever it is convenient for them.

In 2014 Sydbank took another step towards developing into a multichannel bank where clients to a wide extent can bank at their own convenience, for instance via flexible online and mobile services as well as the Bank's 8am-8pm service at Customer Services.

The purpose of the multichannel bank is to ensure a clear client focus and a consistent customer experience across all the contact points that the individual client has to the Bank.

Therefore 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, MobilBank and via the Bank's customer service function.

Providing full service to all clients, the Danish regions are organ-

ised 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. Sydbank has 82 branches in Denmark and three branches in Germany. The number of branches is adapted on an ongoing basis on the basis of clients' use of them.

Safety

Sydbank gives high priority to safety in its branches. Safety is increasing as 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.

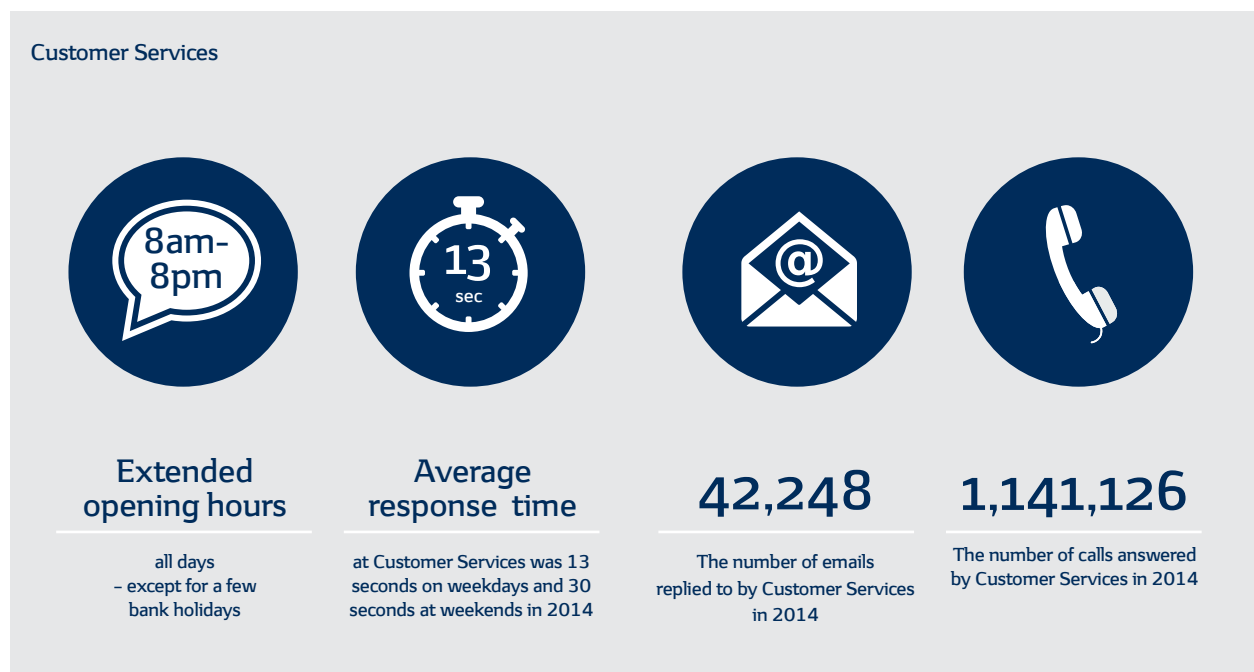
As clients increasingly move their banking transactions to IT-based platforms and as almost all the Bank's transactions involve the use of IT, IT security is also a high priority. Sydbank works to ensure that security goes hand in hand with user-friendliness as regards the Bank's IT-based platforms. IT security is described in further detail on [page 106](#).

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 2014 users numbered approximately 222,000 and 125,000, respectively.

In 2014 clients again demonstrated their dedication to MobilBank. In December 2014 Sydbank registered approximately 2.4m logins compared with 1.7m in December 2013.

Mission Statement and Business Goals



Sydbank participates in the sector cooperation surrounding the mobile payment service, Swipp, which was established as a separate company in 2014. Swipp enables money transfers by means of mobile phone numbers and without the use of NemID. Sydbank's clients can transfer up to DKK 10,000 daily. In 2014 a further feature of Swipp was launched allowing businesses to receive payment from their customers via Swipp.

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. Almost 95% of clients' international payments are conducted via the Bank's digital solutions which are serviced by Sydbank's Hotline.

In 2014 Sydbank continued to focus on developing digital solutions that benefit the Bank's clients. For instance Sydbank launched a new and more user-friendly version of its NetBank in 2014 which also makes NetBank compatible with all types of tablets as the design automatically adapts to the screen size of the client's digital device.

At year-end 2014 Sydbank had 156 ATMs located in all the Bank's branches as well as in selected locations, for instance shopping centres. The vast majority of machines are open 22 hours every day of the year. In 2014 the Bank's ATMs handled approximately 5.7 million cash withdrawals and it became pos-

sible to make cash deposits in 13 ATMs around the country. It is possible to buy EUR in 128 of the Bank's ATMs.

Customer service

Sydbank wishes to give its clients the possibility of contacting the Bank when it is convenient for them. Therefore Sydbank has three customer service centres – in Slagelse, Vejle and Aabenraa. In 2014 the telephone opening hours of Customer Services were extended to all days between 8am and 8pm except for a few bank holidays.

In 2014 Sydbank's customer service answered 1,141,126 phone calls and responded to 42,248 emails. The average time to answer the phone in Customer Services was 13 seconds on weekdays and 30 seconds at weekends in 2014. This underpins the Bank's ambition to ensure swift and flexible advisory services and dialogue with its clients.

Another step to ensure the open dialogue with clients was taken when Sydbank created a profile on Facebook in 2014. The purpose of the profile is primarily to serve as yet another channel by which clients can reach the Bank and obtain answers to specific questions. In 2015 Sydbank will also continue to develop the possibilities for dialogue with its clients. For instance a chat function will be established via the Bank's website in 2015.

HR and staff

An integrated part of Sydbank's values is that excellent employees are important to ensure continued value creation for Sydbank's clients as well as the Bank itself. Also in 2014 Sydbank focused on further education and skills development of the Bank's employees adapted to the specific requirements of the organisation.

For instance Sydbank had significant focus on management development in 2014. The Bank has implemented a new management policy and all the Bank's managers are now assessed on the basis of the management skills that support Sydbank's overall objective. Both managers in client-oriented areas as well as managers in the central functions participated in specific development courses in 2014.

As part of Sydbank's profitability plan the Bank made targeted efforts to enhance the efficiency of operations throughout 2014. This has taken place partly to provide for clients' increasing use of digital solutions and partly to reduce the Bank's fixed costs. As a result the number of staff in Sydbank was reduced by 130 in 2014 and represented 2,101 at year-end 2014.

In 2014 Sydbank conducted an extensive employee satisfaction survey which shows that Sydbank's employees to a great extent are satisfied with working at the Bank – however overall satisfaction has declined since the last survey which was conducted in 2012.

As part of the ongoing implementation of Sydbank's plan to increase the Bank's profitability, the efforts to enhance efficiency will continue and as a result the number of staff will continue to decline in 2015.

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. Consequently Sydbank's IT is being adjusted to clients' use of the Bank and the rising demand for flexibility and shorter delivery times. This applies to the IT infrastructure as well as the IT development processes.

At the same time the Bank continues to work on providing IT support of the Bank's business processes with the purpose of ensuring consistent case processing, fewer errors and greater process transparency.

Sydbank's banking system supplier is Bankdata, which also provides systems 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.

Bankdata has an operating agreement with JN Data in Silkeborg. In 2014 the operational environment was moved from Bankdata's premises in Fredericia to JN Data in Silkeborg.

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 which is also 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 six 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 2014 Sydbank's Board of Directors consisted of seven shareholder-elected board members including one woman, Susanne Beck Nielsen. Sadly Susanne Beck Nielsen passed away in the beginning of 2015. 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 assessment includes an evaluation of the work and results of the Board of Directors and its members.

Directorships held by the Board of Directors can be seen on pp [114-116](#).

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 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 division 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. Compliance made 34 risk assessments in 2014. In addition 36 controls were conducted, 15 of which were carried out as part of Compliance's ongoing controls of compliance with the MiFID provisions in connection with advice on and trading in securities, derivatives and portfolio management.

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 com-

mittees 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 meets 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 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 held five meetings in 2014.

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, the last 22 years as partner of KPMG.

The committee consists of Svend Erik Busk (Chairman), General Manager, Anders Thoustrup, General Manager, and Torben Nielsen, former Central Bank Governor.

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

Corporate Governance

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 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 meets as a minimum four times a year.

The Committee consists of Torben Nielsen (Chairman), former Central Bank Governor, Anders Thoustrup, General Manager, and Peder Damgaard, former Principal.

Reference is made to sydbank.dk/omsydbank/organisation/riskoudvalg 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 meets as a minimum once a year.

The Committee consists of Anders Thoustrup (Chairman), General Manager and former Principal, Peder Damgaard, General Manager, 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 pro-

pose 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 meets as a minimum four times a year.

The Committee consists of Anders Thoustrup (Chairman), General Manager, Erik Bank Lauridsen, General Manager, and Torben Nielsen, former Central Bank Governor.

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 2014 Sydbank updated its CSR policy taking into regard internationally acknowledged principles for human rights, labour rights, environmental issues and anti-corruption. These principles are:

- UN Global Compact (1999)
- OECD Guidelines for Multinational Enterprises (2011)
- UN Guiding Principles on Business and Human Rights (2011).

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.

As a relationship bank that considers its social responsibility as business-driven we choose to define our social responsibility based on the areas of natural interest to a bank and based on the stakeholders relevant to a bank.

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 and follow-up on energy consumption at all Sydbank premises.

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.

In 2014 Sydbank established 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 legal 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. In 2014 the teachers included CEO Karen Frøsig.

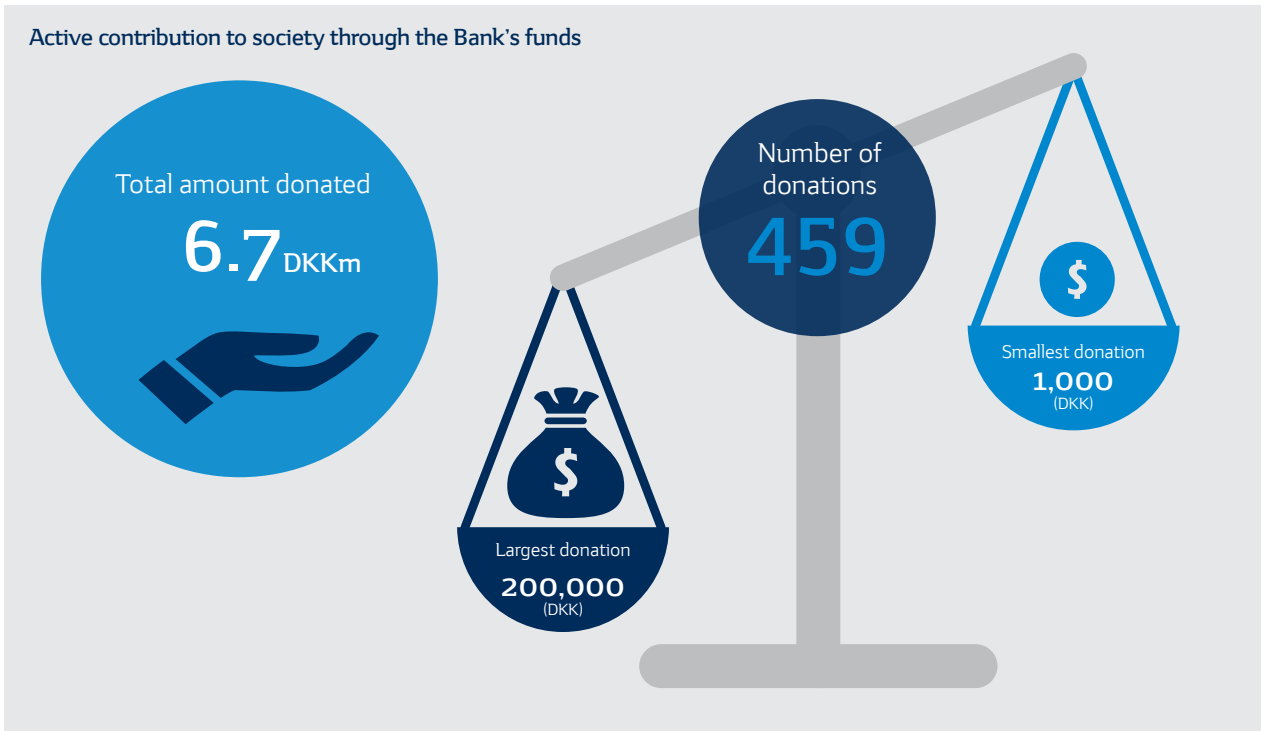
Investment and credit

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.

Corporate Social Responsibility



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.

Sydbank does not wish to participate in financial transactions where doubts may be raised about the motives or business methods irrespective of whether such 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 contribute to the Bank's active participation in society via 459 donations in 2014.

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.

In cooperation with a large number of schools pupils learn about the stock market by participating in Sydbank's fantasy share investment competition. In 2014 a total of 7,319 participated.

The annual CSR Report is available at sydbank.com.

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Income Statement

DKKm	Note	Sydbank Group		Sydbank A/S	
		2014	2013	2014	2013
Interest income	5	3,341	3,487	3,345	3,483
Interest expense	6	599	625	597	623
Net interest income		2,742	2,862	2,748	2,860
Dividends on shares	7	43	40	42	40
Fee and commission income	8	1,750	1,481	1,750	1,478
Fee and commission expense	8	238	218	238	218
Net interest and fee income		4,297	4,165	4,302	4,160
Market value adjustments	9	391	474	391	474
Other operating income	10	31	26	31	26
Staff costs and administrative expenses	11	2,497	2,314	2,505	2,316
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		96	99	95	100
Other operating expenses		114	222	120	121
Impairment of loans and advances etc	12	692	1,861	692	1,861
Profit/(Loss) on holdings in associates and subsidiaries	13	9	2	7	(69)
Profit before tax		1,329	171	1,319	193
Tax	14	277	(16)	267	6
Profit for the year		1,052	187	1,052	187
Distribution of profit for the year					
Profit for the year				1,052	187
Total amount to be allocated				1,052	187
Proposed dividend				526	-
Proposal for allocation for other purposes				10	4
Transfer to shareholders' equity				516	183
Total amount allocated				1,052	187
EPS Basic (DKK)*		14.3	2.5	14.3	2.5
EPS Diluted (DKK)*		14.3	2.5	14.3	2.5
Proposed dividend per share (DKK)		7.08	-	7.08	-

* Calculated on the basis of average number of shares outstanding, see page 16.

Statement of Comprehensive Income

Profit for the year	1,052	187	1,052	187
Other comprehensive income				
Items that may be reclassified to the income statement:				
Translation of foreign entities	4	(3)	4	(3)
Hedge of net investment in foreign entities	(4)	3	(4)	3
Property revaluation	13	(20)	13	(20)
Other comprehensive income after tax	13	(20)	13	(20)
Comprehensive income for the year	1,065	167	1,065	167

Balance Sheet

DKKm	Note	Sydbank Group		Sydbank A/S	
		2014	2013	2014	2013
Assets					
Cash and balances on demand at central banks		629	2,850	629	2,391
Amounts owed by credit institutions and central banks	15	9,594	8,800	9,575	8,748
Loans and advances at fair value	16	6,891	4,885	6,891	4,885
Loans and advances at amortised cost	16	68,451	66,592	68,621	64,462
Bonds at fair value	17	36,132	38,819	36,132	37,495
Shares etc	18	1,593	1,669	1,593	1,601
Holdings in associates etc	19	168	162	168	162
Holdings in subsidiaries	20	-	-	646	487
Assets related to pooled plans	21	10,790	10,162	10,790	10,162
Intangible assets	22	334	355	334	232
Total land and buildings		1,071	1,122	887	804
investment property	23	2	20	2	16
owner-occupied property	24	1,069	1,102	885	788
Other property, plant and equipment	25	73	86	73	84
Current tax assets		47	182	48	182
Deferred tax assets		97	79	17	10
Assets in temporary possession		15	19	8	6
Other assets	26	16,376	12,049	16,372	11,998
Prepayments		55	61	55	54
Total assets		152,316	147,892	152,839	143,763
Shareholders' equity and liabilities					
Amounts owed to credit institutions and central banks	27	32,051	31,019	32,268	31,188
Deposits and other debt	28	73,922	70,027	74,224	66,158
Deposits in pooled plans		10,796	10,167	10,796	10,167
Bonds issued at amortised cost	29	3,741	6,462	3,741	6,456
Current tax liabilities		-	5	-	72
Other liabilities	30	18,840	18,022	18,839	17,933
Deferred income		4	6	4	5
Total liabilities		139,354	135,708	139,872	131,979
Provisions	31	266	150	271	161
Subordinated capital	32	1,385	1,797	1,385	1,386
Shareholders' equity:					
Share capital		742	742	742	742
Revaluation reserves		90	77	90	77
Other reserves:					
Reserves according to articles of association		425	425	425	425
Reserve for net revaluation according to the equity method		10	3	10	3
Retained earnings		9,508	8,986	9,508	8,986
Proposed dividend etc		536	4	536	4
Total shareholders' equity		11,311	10,237	11,311	10,237
Total shareholders' equity and liabilities		152,316	147,892	152,839	143,763

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 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 paid etc						(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
Shareholders' equity at 1 Jan 2013	742	97	425	2	8,760	7	10,033
Profit for the period				1	182	4	187
Other comprehensive income							
Translation of foreign entities					(3)		(3)
Hedge of net investment in foreign entities					3		3
Property revaluation		(20)					(20)
Total other comprehensive income	-	(20)	-	-	-	-	(20)
Comprehensive income for the year	-	(20)	-	1	182	4	167
Transactions with owners							
Purchase of own shares					(1,450)		(1,450)
Sale of own shares					1,494		1,494
Dividend paid etc						(7)	(7)
Dividend, own shares							-
Total transactions with owners	-	-	-	-	44	(7)	37
Shareholders' equity at 31 Dec 2013	742	77	425	3	8,986	4	10,237

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 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 paid etc						(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
Shareholders' equity at 1 Jan 2013	742	97	425	2	8,760	7	10,033
Profit for the period				1	182	4	187
Other comprehensive income							
Translation of foreign entities					(3)		(3)
Hedge of net investment in foreign entities					3		3
Property revaluation		(20)					(20)
Total other comprehensive income	-	(20)	-	-	-	-	(20)
Comprehensive income for the year	-	(20)	-	1	182	4	167
Transactions with owners							
Purchase of own shares					(1,450)		(1,450)
Sale of own shares					1,494		1,494
Dividend paid etc						(7)	(7)
Dividend, own shares							-
Total transactions with owners	-	-	-	-	44	(7)	37
Shareholders' equity at 31 Dec 2013	742	77	425	3	8,986	4	10,237

* Reserves according to the Articles of Association are identical to the restricted 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	
	2014	2013
Operating activities		
Pre-tax profit for the year	1,329	171
Taxes paid	(90)	(199)
Adjustment for non-cash operating items:		
Profit/(Loss) on holdings in associates	(9)	(3)
Amortisation and depreciation of intangible assets and property, plant and equipment	96	99
Impairment of loans and advances/guarantees	692	1,861
Other non-cash operating items	100	(14)
	2,118	1,916
Changes in working capital:		
Credit institutions and central banks	(205)	(8,152)
Trading portfolio	2,763	564
Other financial instruments at fair value	211	147
Loans and advances	(4,557)	3,200
Deposits	3,895	496
Other assets/liabilities	(3,769)	2,180
Cash flows from operating activities	456	351
Investing activities		
Purchase of DiBa Bank	0	(479)
Purchase of holdings in associates	0	2
Sale of holdings in associates	1	0
Purchase of intangible assets	2	0
Purchase of property, plant and equipment	(70)	(65)
Sale of property, plant and equipment	72	28
Cash flows from investing activities	5	(514)
Financing activities		
Purchase and sale of own holdings	13	45
Dividends etc	(4)	(7)
Raising/redemption of subordinated capital	(412)	0
Issue/redemption of bonds	(2,722)	2,469
Cash flows from financing activities	(3,125)	2,507
Cash flows for the year	(2,664)	2,344
Cash and cash equivalents at 1 Jan	4,949	2,605
Cash flows for the year (changes during the year)	(2,664)	2,344
Cash and cash equivalents at 31 Dec	2,285	4,949
Cash and cash equivalents at 31 Dec		
Cash and balances on demand at central banks	629	2,850
Fully secured and cash equivalent balances on demand with credit institutions and insurance companies	1,656	2,099
Cash and cash equivalents at 31 Dec	2,285	4,949

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 18 February 2015 the Board of Directors and the Group Executive Management reviewed and approved the 2014 Annual Report of Sydbank A/S. The Annual Report will be submitted for adoption by the AGM on 12 March 2015.

New accounting policies

The following amendments to IFRS have been implemented effective as from 1 January 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Additional amendments to IFRS 10, 11, 12 and IAS 27
- IAS 27 (2011) Separate Financial Statements
- IAS 28 (2011) Investments in Associates and Joint Ventures
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Impairment of Assets
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies.

According to IFRS 10 the Group must consolidate another entity if the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity regardless of whether the Group has holdings in the entity. Consequently in compliance with the transitional provisions of IFRS 10 the Group has reassessed as at 1 January 2014 its investments and other relationships with parties as regards the new control model. The reassessment has not resulted in any changes.

Sydbank's implementation of the new or amended standards has not had any effect on recognition and measurement in the consolidated financial statements for 2014 and consequently it

has no impact on EPS Basic. The amended standards have resulted in a few changes in disclosures in the notes.

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 4.3](#)) 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.

Note 1 Accounting policies – continued

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.

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, 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.

Notes

Note 1 Accounting policies – continued

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 in 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.

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 the 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 the 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 (repaym 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 at cost at the acquisition date and subsequent measurement is at the proportionate share of the equity value of the entities plus acquired goodwill and other differences in connection with the acquisition (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 pur-

Note 1 Accounting policies – continued

pose 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”.

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 10-15 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 the 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.

Notes

Note 1 Accounting policies – continued

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.

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

Note 1 Accounting policies – continued

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 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 performance measures below are applied in the Group's internal financial management, see [Note 4](#) Segment Reporting.

Notes

Note 1 Accounting policies – continued

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.

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 2014 financial statements.

These include IFRS 9, 14 and 15 as well as amendments to IAS 16, 19, 27, 38, 39, 41, IFRS 7 and 11. 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.

Determination of the carrying amount of certain assets and liabilities requires that management makes a number of estimates and judgements with a significant impact on the carrying amount of assets and liabilities.

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
- Liabilities towards the Deposit Guarantee Fund
- 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 1,392m, equivalent to 0.9% of the Group's assets at the end of 2014.

Measurement of loans and advances at amortised cost

Impairment charges for loans and advances are made to take into account any impairments 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 which are 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 the clients' migration to lower rating categories is an indicator of deterioration.

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.

Notes

Note 2 Accounting estimates and judgements – continued

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 49.5% of the Group's assets at the end of 2014.

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.

Liabilities towards the Deposit Guarantee Fund

Like all other Danish banks, Sydbank is a member of the Deposit Guarantee Fund and as such is under an obligation, jointly with other banks, to cover any loss as regards the balances etc of depositors of up to EUR 100,000 held with banks in winding-up or bankruptcy proceedings.

The Bank recognises a liability to cover its share of the liability towards the Deposit Guarantee Fund at the time when it obtains knowledge about banks in winding-up or bankruptcy proceedings and where the Bank has sufficient information to measure the liability reliably.

As a result of the uncertainty surrounding determination of the dividend percentage and the amount covered as regards banks in winding-up or bankruptcy proceedings the liabilities recognised may be subject to uncertainty.

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

Notes 3 Solvency

The Group has adopted 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

Exposures to retail and corporate clients taken over from DiBa Bank are comprised by the 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	2014	2013
Common Equity Tier 1 capital ratio	13.9	13.4
Tier 1 capital ratio	15.5	15.3
Capital ratio	16.0	15.7
Total capital:		
Shareholders' equity	11,311	10,237
Revaluation reserves	-	(77)
Proposed dividend	(536)	(4)
Intangible assets and capitalised deferred tax assets	(373)	(434)
Significant investments in financial sector	(301)	-
Common Equity Tier 1 capital	10,101	9,722
Additional Tier 1 capital	1,108	1,547
50% of holdings > 10%	-	(161)
Tier 1 capital	11,209	11,108
Tier 2 capital	112	125
Revaluation reserves	-	77
Difference between expected losses and accounting impairment charges	275	281
50% of holdings > 10%	-	(161)
Total capital	11,596	11,430

Notes 3 Solvency – continued

Sydbank Group

DKKm	2014	2013
Credit risk	49,417	51,160
Market risk	8,003	10,197
Operational risk	8,575	8,341
Other exposures incl credit valuation adjustment	6,472	3,051
Total risk exposure	72,467	72,749
Capital requirement under Pillar I	5,797	5,820

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 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, contributions to the Private Contingency Association, 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 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	-	-	-	91	(15)	76
Profit before non-recurring items	957	121	172	91	(76)	1,265
Non-recurring items, net	-	-	-	-	64	64
Profit before tax	957	121	172	91	(12)	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

Notes

Note 4 Segment reporting – continued

Sydbank Group

DKKm						Sydbank Group
	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments 2013						
Core income	3,804	164	90	-	-	4,058
Trading income	-	-	229	-	-	229
Total income	3,804	164	319	-	-	4,287
Costs, core earnings	2,273	57	130	-	54	2,514
Impairment of loans and advances etc	1,861	-	-	-	-	1,861
Core earnings	(330)	107	189	-	(54)	(88)
Investment portfolio earnings	5	-	-	314	-	319
Profit before non-recurring items	(325)	107	189	314	(54)	231
Non-recurring items, net	-	-	-	-	(60)	(60)
Profit before tax	(325)	107	189	314	(114)	171
Depreciation and impairment of property, plant and equipment	90	2	5	-	2	99
Full-time staff at 31 Dec*	1,882	41	95	5	37	2,060

* Excl 171 employees from DiBa Bank.

Under IFRS, revenues from transactions with a single client exceeding 10% must be disclosed. The Sydbank Group has no such clients.

The Sydbank Group's internal 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.

DKKm	Sydbank Group			
	Total income	2014 Assets	Total income	2013 Assets
Geographical segments				
Denmark	4,331	1,586	4,375	1,661
Abroad	184	60	179	65
Total	4,515	1,646	4,554	1,726

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.

Geographical segmentation of Group 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	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
DKKm				
Reverse transactions with credit institutions and central banks	(4)	(6)	(4)	(6)
Amounts owed by credit institutions and central banks	15	18	15	18
Reverse loans and advances	6	7	6	7
Loans and advances and other amounts owed	2,940	3,015	2,944	3,011
Bonds	492	502	492	502
Total derivatives	(112)	(48)	(112)	(48)
comprising				
Foreign exchange contracts	98	79	98	79
Interest rate contracts	(210)	(128)	(210)	(128)
Other contracts	0	1	0	1
Other interest income	4	(1)	4	(1)
Total	3,341	3,487	3,345	3,483
Fair value, designated at initial recognition	2	1	2	1
Fair value, held for trading	380	454	380	454
Assets recognised at amortised cost	2,959	3,032	2,963	3,028
Total	3,341	3,487	3,345	3,483

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 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	10	13	10	13
Credit institutions and central banks	50	60	50	60
Repo deposits	1	0	1	0
Deposits and other debt	430	422	433	421
Bonds issued	75	101	75	101
Subordinated capital	32	28	27	27
Other interest expense	1	1	1	1
Total	599	625	597	623
Fair value, designated at initial recognition	11	13	11	13
Liabilities recognised at amortised cost	588	612	586	610
Total	599	625	597	623

Note 7 Dividends on shares

Fair value, designated at initial recognition	35	31	35	31
Fair value, held for trading	8	9	7	9
Total	43	40	42	40

Notes

Note 8 Fee and commission income	Sydbank Group		Sydbank A/S	
	DKKm	2014	2013	2014
Securities trading and custody accounts	895	822	895	821
Payment services	289	244	289	243
Loan fees	133	85	133	85
Guarantee commission	116	102	116	102
Other fees and commission	317	228	317	227
Total fee and commission income	1,750	1,481	1,750	1,478
Total fee and commission expense	238	218	238	218
Net fee and commission income	1,512	1,263	1,512	1,260

Note 9 Market value adjustments

Other loans and advances and amounts owed at fair value	1	1	1	1
Bonds	406	27	406	27
Shares etc	291	146	291	146
Investment property	0	(2)	0	(2)
Foreign exchange	170	143	170	143
Derivatives	(476)	161	(476)	161
Assets related to pooled plans	590	222	590	222
Deposits in pooled plans	(592)	(224)	(592)	(224)
Other assets/liabilities	1	0	1	0
Total	391	474	391	474
Fair value, held for trading, trading portfolio	181	387	181	387
Fair value, designated at initial recognition, equity investments	210	87	210	87
Total	391	474	391	474

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 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	13	17	13
Other operating income	14	13	14	13
Total	31	26	31	26

Note 11 Staff costs and administrative expenses DKKm	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
Salaries and remuneration				
Group Executive Management	12	16	12	16
Board of Directors	4	4	4	4
Shareholders' Committee	3	3	3	3
Total	19	23	19	23
Staff costs				
Wages and salaries	1,260	1,152	1,260	1,150
Pensions	135	127	135	127
Social security contributions	17	17	17	17
Payroll tax	133	109	133	109
Total	1,545	1,405	1,545	1,403
Other administrative expenses				
IT	574	529	573	527
Rent etc	146	152	156	159
Marketing and entertainment expenses	66	97	66	97
Other costs	147	108	146	107
Total	933	886	941	890
Total	2,497	2,314	2,505	2,316
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, expenses have been incurred to operate the Group's Internal Audit.				
Staff				
Average number of staff (full-time equivalent)	2,209	2,133	2,209	2,127

Notes

Note 11 Staff costs and administrative expenses – continued

Sydbank Group

DKK thousand	2014	2013
Directors' remuneration		
Anders Thoustrup	823	684
Torben Nielsen (member as of 14 March 2013)	613	208
Svend Erik Busk	383	378
Claus Christensen (resigned as of 31 July 2013)	-	290
Peder Damgaard	382	307
Harry Max Friedrichsen (resigned as of 13 March 2014)	64	256
Alex Slot Hansen (member as of 13 March 2014)	234	-
Hanni Toosbuy Kasprzak (resigned as of 13 March 2014)	138	520
Erik Bank Lauridsen	394	307
Jacob Chr. Nielsen (member as of 13 March 2014)	195	-
Susanne Beck Nielsen (member as of 13 March 2014)	195	-
Jarl Oxlund (member as of 13 March 2014)	195	-
Steen Tophøj (resigned as of 13 March 2014)	64	256
Jan Uldahl-Jensen (resigned as of 13 March 2014)	64	256
Margrethe Weber	260	256
Total	4,004	3,718
Of which committee fees		
Audit Committee* (three members)	309	373
Risk Committee – set up in 2014 (three members)	232	-
Remuneration Committee** (four members)	193	152
Nomination Committee – set up in 2013 (three members)	180	105
Corporate Governance Committee - only in 2014 (incl three members from the Board of Directors)	180	-

* Number of Audit Committee members reduced from four to three.

** Number of Remuneration Committee members increased from three to four in 2014.

Sydbank's Board of Directors receive a fixed fee in addition to which the 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	Preben L. Hansen
Remuneration of the Group Executive Management				
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	-
2013				
Fixed remuneration	5.3	0.8	2.2	3.4
Remuneration during severance period etc	-	-	-	4.7
Group costs	5.3	0.8	2.2	8.1
The Group Executive Management receives no variable remuneration.		Appointed 1 Sep 2013	Appointed 1 Aug 2013	Resigned 31 Oct 2013

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	
	2014	2013	2014	2013
Remuneration of material risk takers and control functions				
Fixed remuneration	29.4	23.3	29.4	23.3
Total	29.4	23.3	29.4	23.3
Number of full-time staff (average)	23.3	17.1	23.3	17.1

Material risk takers and control functions receive no variable remuneration.

Notes

Note 12 Impairment of loans and advances etc	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
DKKm				
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	595	1,641	595	1,641
Write-offs	183	279	183	279
Recovered from debt previously written off	86	59	86	59
Impairment of loans and advances etc	692	1,861	692	1,861
Impairment and provisions at 31 Dec (allowance account)				
Individual impairment and provisions	4,111	4,164	4,111	4,163
Collective impairment and provisions	301	137	301	137
Impairment and provisions at 31 Dec	4,412	4,301	4,412	4,300
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	4,164	2,834	4,163	2,833
Exchange rate adjustment	0	0	0	0
New individual impairment charges	1,883	2,654	1,883	2,654
Reversed individual impairment charges	1,266	825	1,265	825
Other movements	2	0	2	0
Impairment charges previously recorded, now finally written-off	672	499	672	499
Impairment and provisions at 31 Dec	4,111	4,164	4,111	4,163
Individual impairment of loans and advances	3,996	4,058	3,996	4,058
Individual provisions for guarantees	115	106	115	105
Impairment and provisions at 31 Dec	4,111	4,164	4,111	4,163
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	137	184	137	184
Impairment and provisions during the year	164	(47)	164	(47)
Impairment and provisions at 31 Dec	301	137	301	137
Sum of loans and advances and amounts owed subject to collective impairment and provisions	4,930	4,312	4,930	4,312
Collective impairment and provisions	301	137	301	137
Loans and advances and amounts owed after collective impairment and provisions	4,629	4,175	4,629	4,175
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	6,864	6,870	6,864	6,870
Impairment of individually impaired loans and advances	3,996	4,058	3,996	4,058
Balance after impairment of individually impaired loans and advances	2,868	2,812	2,868	2,812

Accrued interest concerning individually and collectively impaired loans and advances represents DKK 614m for 2014 (2013: DKK 591m).

Note 12 Impairment of loans and advances etc - continued

Sydbank Group

DKKm	Allowance account		Impairment of loans/advances etc	
	2014	2013	2014	2013
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	976	981	76	520
Manufacturing and extraction of raw materials	227	234	28	115
Energy supply etc	20	18	17	2
Building and construction	137	144	9	57
Trade	478	436	86	227
Transportation, hotels and restaurants	72	69	3	37
Information and communication	28	9	15	7
Finance and insurance	365	363	79	68
Real property	567	600	126	333
Other corporate lending	158	183	50	107
Total corporate lending	3,028	3,037	489	1,473
Public authorities	0	0	0	0
Retail clients	968	1,022	39	435
Collective impairment charges	301	137	164	(47)
Provisions for guarantees	115	105	-	-
Total	4,412	4,301	692	1,861

Note 13 Profit on holdings in associates and subsidiaries

Sydbank Group

Sydbank A/S

DKKm	2014	2013	2014	2013
Profit/(Loss) on holdings in associates etc	9	2	9	2
Profit/(Loss) on holdings in subsidiaries	-	-	(2)	(71)
Total	9	2	7	(69)

Notes

Note 14 Tax DKKm	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
Tax calculated on profit for the year	227	10	228	76
Change in deferred tax due to reduction in corporation tax rate	5	(9)	5	(9)
Deferred tax	50	(21)	38	(65)
Adjustment of prior year tax charges	(5)	4	(4)	4
Total	277	(16)	267	6
Effective tax rate				
Current tax rate of Sydbank	24.5	25.0	24.5	25.0
Change in deferred tax due to reduction in corporation tax rate	0.4	(5.5)	0.4	(4.9)
Permanent differences*	(3.7)	(31.3)	(4.3)	(19.3)
Adjustment of prior year tax charges	(0.3)	2.6	(0.3)	2.3
Effective tax rate	20.9	(9.2)	20.3	3.1
Deferred tax				
Deferred tax at 1 Jan	(79)	93	19	93
Deferred tax, acquired activities	-	(142)	-	-
Deferred tax for the year recognised in profit for the year	50	(21)	38	(65)
Change in deferred tax due to reduction in corporation tax rate	5	(9)	5	(9)
Deferred tax at 31 Dec, net	(24)	(79)	62	19
Deferred tax assets	97	79	17	10
Deferred tax liabilities	73	0	79	29
Deferred tax at 31 Dec, net	(24)	(79)	62	19

* Permanent differences comprise mainly a tax-free gain on shares as well as the better possibilities regarding tax write-offs for operating equipment – predominantly concerning leasing activities.

Note 14 Tax - continued

Sydbank Group

DKKm	2014			2013			
	1 Jan	Recognised in profit for the year	31 Dec	1 Jan	Adjustment acquired activities	Recognised in profit for the year	31 Dec
Deferred tax							
Loans and advances at amortised cost	50	68	118	153	(48)	(55)	50
Land and buildings	2	0	2	1	(12)	13	2
Property, plant and equipment	(24)	3	(21)	(25)	(6)	7	(24)
Intangible assets	(2)	(28)	(30)	(4)	-	2	(2)
Other assets	10	(6)	4	3	-	7	10
Provisions	(2)	1	(1)	(2)	-	-	(2)
Other liabilities	(29)	(14)	(43)	(33)	(1)	5	(29)
Capitalised losses, jointly taxed income	(75)	26	(49)	-	(75)	-	(75)
Change in deferred tax due to reduction in corporation tax rate	(9)	5	(4)	-	-	(9)	(9)
Deferred tax at 31 Dec, net	(79)	55	(24)	93	(142)	(30)	(79)

Note 15 Amounts owed by credit institutions and central banks

Sydbank Group

Sydbank A/S

DKKm	2014		2013	
	2014	2013	2014	2013
Amounts owed at notice by central banks	1,450	-	1,450	-
Amounts owed by credit institutions	8,144	8,800	8,125	8,748
Total	9,594	8,800	9,575	8,748
On demand	1,150	909	1,143	859
3 months or less	8,379	7,718	8,380	7,718
Over 3 months not exceeding 1 year	60	146	48	146
Over 1 year not exceeding 5 years	1	3	0	1
Over 5 years	4	24	4	24
Total	9,594	8,800	9,575	8,748
Of which reverse transactions	6,731	6,701	6,731	6,701

Notes

Note 16 Loans and advances	Sydbank Group		Sydbank A/S	
	DKK m	2014	2013	2014
On demand	13,994	14,588	14,164	14,744
3 months or less	8,162	6,323	8,162	6,053
Over 3 months not exceeding 1 year	23,593	22,839	23,593	22,507
Over 1 year not exceeding 5 years	15,145	14,805	15,145	13,827
Over 5 years	14,448	12,922	14,448	12,216
Total	75,342	71,477	75,512	69,347
Of which reverse transactions	6,891	4,885	6,891	4,885

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

Agriculture, hunting, forestry and fisheries	8.6 *	7.6	8.6 *	7.6
Manufacturing and extraction of raw materials	7.8	8.0	7.8	8.2
Energy supply etc	3.3	3.5	3.3	3.7
Building and construction	3.3	3.8	3.3	3.7
Trade	13.0	12.7	12.9	12.8
Transportation, hotels and restaurants	3.3	3.7	3.3	3.7
Information and communication	0.6	0.5	0.6	0.5
Finance and insurance	14.2	14.0	14.2	14.4
Real property	8.1	10.5	8.3	10.5
Other corporate lending	4.0	4.1	4.0	3.9
Total corporate lending	66.2	68.4	66.3	69.0
Public authorities	1.0	1.4	1.0	1.4
Retail clients	32.8	30.2	32.7	29.6
Total	100.0	100.0	100.0	100.0

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

Collateral received and types of collateral

Loans and advances at fair value	6,891	4,885	6,891	4,885
Loans and advances at amortised cost	68,451	66,592	68,621	64,462
Guarantees	13,846	8,717	13,846	8,174
Credit exposure for accounting purposes	89,188	80,194	89,358	77,521
Collateral value	45,126	33,820	45,126	32,919
Total unsecured	44,062	46,374	44,232	44,602

Types of collateral

Real property	11,654	8,780	11,654	8,468
Financial collateral	13,487	11,449	13,487	11,216
Leased assets, mortgages etc	4,222	4,322	4,222	4,169
Floating charge, operating equipment etc	5,396	4,048	5,396	3,904
Guarantees	1,263	1,088	1,263	1,049
Other items of collateral	488	594	488	574
Total collateral used	36,510	30,281	36,510	29,380
Particularly secured transactions (mortgage guarantees)	8,616	3,539	8,616	3,539
Total	45,126	33,820	45,126	32,919

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 2014 repossessed equipment as well as real property taken over in connection with non-performing exposures amounted to DKK 22m (2013: DKK 44m). 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	2014				2013			
	Loans/ advances	Guarantees	Collateral value	Unsecured	Loans/ advances	Guarantees	Collateral value	Unsecured
Collateral by rating category								
Rating category								
1	7,892	2,480	6,938	3,434	6,783	1,156	4,122	3,817
2	20,347	2,683	13,797	9,233	18,654	1,148	10,441	9,361
3	15,907	2,257	7,627	10,537	13,531	2,146	5,633	10,044
4	9,631	1,450	4,235	6,846	8,530	771	3,158	6,143
5	6,932	1,175	3,740	4,367	6,704	813	2,559	4,958
6	4,105	694	2,103	2,696	4,218	299	1,575	2,942
7	1,759	363	877	1,245	2,238	173	732	1,679
8	827	208	450	585	1,179	109	528	760
9	7,087	837	2,725	5,199	7,820	294	2,408	5,706
Default	2,621	220	776	2,065	2,510	94	569	2,035
NR	2,531	1,479	1,858	2,152	3,505	1,714	2,095	3,124
Total	79,639	13,846	45,126	48,359	75,672	8,717	33,820	50,569
Individual impairment of loans and advances	3,996			3,996	4,058			4,058
Collective impairment of loans and advances	301			301	137			137
Total	75,342	13,846	45,126	44,062	71,477	8,717	33,820	46,374

DKKm	2014			2013
	Retail	SME	Corporate	
Past due amounts not impaired*				
0-30 days	41	4	62	107
31-60 days	2	0	3	5
61-90 days	1	0	0	1
Total	44	4	65	113
Rating category				
1	9	0	1	10
2	10	1	3	14
3	9	1	5	15
4	4	1	27	32
5	2	1	15	18
6	2	0	3	5
7	1	0	1	2
8	1	0	0	1
9	3	0	8	11
NR	3	0	2	5
Total	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 shown above a limited share of past due amounts concerns high credit risk clients.

Notes

Note 16 Loans and advances – continued

Sydbank Group

DKKm				2014 Loans/ advances neither impaired nor past due				2013 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	7,892		10	7,882	6,783		11	6,772
2	14,151		13	14,138	13,769		16	13,753
3	15,212		15	15,197	13,531		24	13,507
4	9,631		32	9,599	8,530		9	8,521
5	6,932		18	6,914	6,704		10	6,694
6	4,105		6	4,099	4,218		8	4,210
7	1,759		2	1,757	2,238		3	2,235
8	827		1	826	1,179		2	1,177
9	7,087	4,834	11	2,242	7,820	4,853	14	2,953
Default	2,621	2,030	0	591	2,510	1,905	0	605
STD/NR	2,531		5	2,526	3,505	112	12	3,381
	72,748	6,864	113	65,771	70,787	6,870	109	63,808
Impairment charges	4,297	3,996		301	4,195	4,058		137
Total	68,451	2,868	113	65,470	66,592	2,812	109	63,671

Sydbank Group

DKKm				2014 Net investments				2013 Net investments
	Gross investments	Unearned interest			Gross investments	Unearned interest		
Lease payment receivables – finance leases								
1 year or less	1,215	100		1,115	1,173	75		1,098
Over 1 year not exceeding 5 years	2,683	156		2,527	2,398	150		2,248
Over 5 years	214	7		207	176	6		170
Total	4,112	263		3,849	3,747	231		3,516

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 3,849m at year-end 2014 (2013: DKK 3,516m).

Impairment charges for uncollectible lease payment receivables total DKK 0m (2013: DKK 1m).

Note 17 Bonds at fair value DKKmn	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
Mortgage bonds	31,348	37,672	31,348	36,352
Government bonds	4,409	521	4,409	521
Other bonds	375	626	375	622
Total	36,132	38,819	36,132	37,495

Government bonds - by country

Denmark	4,409	499	4,409	499
Norway	0	22	0	22
Other	0	0	0	0
Total	4,409	521	4,409	521

Note 18 Shares etc

Listed on NASDAQ OMX Copenhagen A/S	176	270	176	259
Listed on other exchanges	6	16	6	9
Unlisted shares recognised at fair value	1,411	1,383	1,411	1,333
Total	1,593	1,669	1,593	1,601
Trading portfolio	182	336	182	305
Portfolio of equity investments	1,411	1,333	1,411	1,296
Total	1,593	1,669	1,593	1,601

Note 19 Holdings in associates etc

Carrying amount at 1 Jan	162	160	162	160
of which credit institutions	-	-	-	-
Cost at 1 Jan	159	161	159	161
Additions	-	1	-	1
Disposals	0	3	0	3
Cost at 31 Dec	159	159	159	159
Revaluations and impairment charges at 1 Jan	3	(1)	3	(1)
Dividend	(2)	(1)	(2)	(1)
Revaluations and impairment charges for the year	8	3	8	3
Reversal of revaluations and impairment charges	-	2	-	2
Revaluations and impairment charges at 31 Dec	9	3	9	3
Carrying amount at 31 Dec	168	162	168	162
of which credit institutions	-	-	-	-

Notes

Note 19 Holdings in associates etc - continued

Sydbank Group

	Activity	Ownership share (%)	Share capital DKKm	Total assets	Total liabilities	Income	Result
Holdings in associates							
Foreningen Bankdata, Fredericia	IT	32	509	649	140	1,152	25
Core Property Management A/S, Copenhagen	Real property	20	27	30	3	28	11
Other enterprises in which the Group owns more than 10% of the share capital							
D.A.R.T. Limited, Cayman Islands	Inv. and fin.	42	31	31	0	2	33
Value Invest Asset Management S.A. Luxembourg	Inv. and fin.	18	101	110	9	100	62
Bokis - established in 2014	Finance	14	-	-	-	-	-
PRAS A/S, Copenhagen	Inv. and fin.	14	1,877	3,178	1,301	65	91
BI Holding A/S, Copenhagen	Inv. and fin.	14	368	411	43	124	80
DLR Kredit	Finance	10	9,984	146,894	133,832	1,247	471

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

Note 20 Holdings in subsidiaries

Sydbank Group

Sydbank A/S

DKKm	2014	2013	2014	2013
Carrying amount at 1 Jan			487	240
of which credit institutions			453	222
Cost at 1 Jan			1,035	719
Exchange rate adjustment			6	(6)
Additions			1	323
Disposals			16	1
Cost at 31 Dec			1,026	1,035
Revaluations and impairment charges at 1 Jan			(548)	(479)
Exchange rate adjustment			(2)	2
Result			(2)	(71)
Dividend			-	-
Other capital movements			172	0
Revaluations and impairment charges for the year			-	-
Reversal of revaluations and impairment charges			-	-
Revaluations and impairment charges at 31 Dec			(380)	(548)
Carrying amount at 31 Dec			646	487
of which credit institutions			223	453

Note 21 Assets related to pooled plans

DKKm	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
Cash deposits	449	340	449	340
Indexed bonds	564	608	564	608
Other bonds	6,336	6,010	6,336	6,010
Other shares etc	3,388	3,175	3,388	3,175
Units	0	0	0	0
Other assets	53	29	53	29
Total	10,790	10,162	10,790	10,162

Note 22 Intangible assets**Intangible assets**

Intangible assets comprise 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 is allocated to the operating segments Banking, Asset Management and Sydbank Markets. Goodwill represents DKK 170m at year-end 2014 (2013: DKK 172m) and primarily concerns Banking. Goodwill is tested annually for impairment. The impairment test carried out in 2014 did not result in impairment of goodwill.

The value of customer relationships represents DKK 164m at year-end 2014 (2013: DKK 183m). Customer relationships are amortised on a straight-line basis over the expected useful life of 10-15 years.

Impairment test

The Group's goodwill is tested for impairment at least once a year. Assets are tested on the identifiable cash-generating unit to which assets have been allocated.

The impairment test compares the carrying amount and the estimated present value of expected future cash flows. As a consequence of the special debt structure of financial groups, calculation of the present value of future cash flows is based on a simplified equity model. This equity model is based on approved strategies and earnings estimates as regards the cash-generating units for the budget period. Earnings at the end of the budget period are projected on the basis of the expected development.

The estimated cash flows are discounted at the Group's risk-adjusted required rates of return which constitute 12.3% before tax and 9.5% after tax. Annualised growth for the terminal period is assumed to represent 1.5%.

The expectations for 2015 are based on a budget approved by management and involve stable positive developments in earnings. As a result of these expectations the full carrying amount of goodwill will be covered by the cash flows for 2015.

An increase in the Group's risk-adjusted required rates of return from 12.3% to 15% will not result in a goodwill impairment. Correspondingly a decline in estimated growth for the terminal period of 1 percentage point will not result in a goodwill impairment. Correspondingly a decrease in earnings for the terminal period of 20% will not result in a goodwill impairment.

Notes

Note 22 Intangible assets – continued

DKKm	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
Carrying amount at 1 Jan	355	66	232	66
Cost at 1 Jan	378	83	255	83
Additions	0	295	123	172
Disposals	1	-	1	-
Cost at 31 Dec	377	378	377	255
Amortisation and impairment charges at 1 Jan	23	17	23	17
Amortisation and impairment charges for the year	20	6	20	6
Amortisation and impairment charges at 31 Dec	43	23	43	23
Carrying amount at 31 Dec	334	355	334	232

Additions in 2013 represent goodwill as well as the value of customer relationships acquired in connection with the acquisition of the activities from DiBa Bank which constitute DKK 172m and DKK 123m, respectively, at the date of acquisition. The value of customer relationships is amortised over 10-15 years.

Note 23 Investment property

Fair value at 1 Jan	20	28	16	28
Additions	1	4	4	0
Disposals	18	9	18	9
Adjustment at fair value for the year	(1)	(3)	0	(3)
Fair value at 31 Dec	2	20	2	16
Rental income recognised in the income statement	0	1	0	1
Operating expenses	0	1	0	1

Note 24 Owner-occupied property

Carrying amount at 1 Jan	1,102	1,033	788	847
Exchange rate adjustment	0	0	0	0
Additions, including improvements	18	130	147	1
Disposals	47	11	47	11
Depreciation for the year	7	7	6	6
Value adjustment recognised directly in equity	13	(19)	13	(18)
Value adjustment recognised in the income statement	(10)	(24)	(10)	(25)
Carrying amount at 31 Dec	1,069	1,102	885	788
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 62m (2013: DKK 68m).

Note 25 Other property, plant and equipment	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
DKKm				
Carrying amount at 1 Jan	86	89	84	89
Cost at 1 Jan	492	508	491	508
Exchange rate adjustment	0	0	0	0
Additions	53	62	52	61
Disposals	45	78	43	78
Cost at 31 Dec	500	492	500	491
Depreciation and impairment charges at 1 Jan	406	419	407	419
Exchange rate adjustment	0	0	0	0
Depreciation for the year	60	62	59	62
Reversal of depreciation and impairment charges	39	75	39	74
Depreciation and impairment charges at 31 Dec	427	406	427	407
Carrying amount at 31 Dec	73	86	73	84

Note 26 Other assets

Positive market value of derivatives etc	12,164	9,028	12,164	9,020
Sundry debtors	424	419	420	401
Interest and commission receivable	283	407	283	382
Cash collateral provided, CSA agreements	3,505	2,194	3,505	2,194
Other assets	0	1	0	1
Total	16,376	12,049	16,372	11,998

Note 27 Amounts owed to credit institutions and central banks

Amounts owed to central banks	1,500	59	1,500	59
Amounts owed to credit institutions	30,551	30,960	30,768	31,129
Total	32,051	31,019	32,268	31,188
On demand	5,816	6,034	6,034	6,203
3 months or less	25,523	23,052	25,523	23,052
Over 3 months not exceeding 1 year	503	1,360	502	1,360
Over 1 year not exceeding 5 years	64	26	64	26
Over 5 years	145	547	145	547
Total	32,051	31,019	32,268	31,188
Of which repo transactions	18,472	18,913	18,472	18,913

Notes

Note 28 Deposits and other debt	Sydbank Group		Sydbank A/S	
	DKKm	2014	2013	2014
On demand	58,424	53,806	58,726	51,342
At notice	339	363	339	363
Time deposits	9,356	8,652	9,356	8,159
Special categories of deposits	5,803	7,206	5,803	6,294
Total	73,922	70,027	74,224	66,158
On demand	58,910	55,047	59,212	51,793
3 months or less	8,616	7,200	8,616	7,057
Over 3 months not exceeding 1 year	1,506	1,875	1,506	1,845
Over 1 year not exceeding 5 years	731	1,098	731	967
Over 5 years	4,159	4,807	4,159	4,496
Total	73,922	70,027	74,224	66,158
Of which repo transactions	2,601	-	2,601	-

Note 29 Bonds issued at amortised cost

3 months or less	28	2,719	28	2,716
Over 1 year not exceeding 5 years	3,713	3,743	3,713	3,740
Total	3,741	6,462	3,741	6,456

Note 30 Other liabilities

Negative market value of derivatives etc	12,677	9,340	12,678	9,321
Sundry creditors	1,135	1,863	1,133	1,797
Negative portfolio, reverse transactions	3,770	6,233	3,770	6,233
Interest and commission etc	50	73	50	69
Cash collateral received, CSA agreements	1,208	513	1,208	513
Other liabilities	0	0	0	0
Total	18,840	18,022	18,839	17,933

Note 31 Provisions

Provisions for pensions and similar obligations	4	4	4	4
Provisions for deferred tax	73	0	79	29
Provisions for guarantees	115	106	115	105
Other provisions	74	40	73	23
Total	266	150	271	161

Note 31 Provisions - continued

Sydbank Group

DKKm					2014	
	Provisions for pensions and similar obligations	Provisions for deferred tax	Provisions for guarantees	Other provisions	Total provisions	
Carrying amount at 1 Jan	4	-	106	40	150	
Additions	-	73	69	41	183	
Disposals	-	-	60	7	67	
Carrying amount at 31 Dec	4	73	115	74	266	

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	DKKm		DKKm	
				2014	2013	2014	2013
Redeemed loans				-	250	-	-
Total Tier 2 capital				-	250	-	-
Redeemed loans				-	161	-	-
1.19 (floating)	1	Bond loan	EUR 100	Perpetual	742	743	742
1.22 (floating)	2	Bond loan	EUR 75	Perpetual	558	558	558
6.36 (fixed)	3	Bond loan	DKK 85	Perpetual	85	85	85
Total Additional Tier 1 capital				1,385	1,547	1,385	1,386
Total subordinated capital				1,385	1,797	1,385	1,386
Costs relating to the raising and redemption of subordinated capital				0	0	0	0
Over 1 year not exceeding 5 years				-	250	-	-
Over 5 years				1,385	1,547	1,385	1,386
Total				1,385	1,797	1,385	1,386

1) Optional redemption from 25 April 2017 after which the interest rate will be fixed at 2.10% above 3M EURIBOR.

2) The interest rate follows a 10Y CMS (6M EURIBOR) plus a premium of 0.2%.

3) Optional redemption from 14 May 2017 after which the interest rate will be fixed at 1.75% above 3M CIBOR.

Notes

Note 33 Own holdings	Sydbank Group		Sydbank A/S		
	DKKm	2014	2013	2014	2013
Nominal portfolio of own holdings		9	10	9	10
Nominal portfolio of own holdings as % of share capital		1.2	1.3	1.2	1.3
Shares outstanding (number)		73,355,021	73,288,716	73,355,021	73,288,716
Holding of own shares (number)		894,978	961,283	894,978	961,283
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		6,585,222	11,623,143	6,585,222	11,623,143
Nominal value		66	116	66	116
Consideration paid		1,026	1,450	1,026	1,450
Number of shares as % of share capital		8.9	15.7	8.9	15.7
Own holdings sold during the year					
Number of shares		6,651,527	11,997,904	6,651,527	11,997,904
Nominal value		67	120	67	120
Consideration received		1,039	1,494	1,039	1,494
Number of shares as % of share capital		9.0	16.2	9.0	16.2

Own holdings have been purchased and sold as part of the ordinary banking transactions of Sydbank A/S.

Note 34 Contingent liabilities and other obligating agreements	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
DKKm				
Contingent liabilities				
Financial guarantees	3,604	3,548	3,604	3,205
Mortgage finance guarantees	1,464	1,701	1,464	1,501
Registration and remortgaging guarantees	7,152	1,838	7,152	1,838
Other contingent liabilities	1,626	1,630	1,626	1,630
Total	13,846	8,717	13,846	8,174
Other obligating agreements				
Irrevocable credit commitments	1,196	447	1,196	447
Other liabilities*	49	61	66	81
Total	1,245	508	1,262	528
* Including intra-group liabilities in relation to rented premises	-	-	16	22

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.

As a result of participation in the statutory depositors' guarantee scheme, the industry pays an annual contribution of 2.5% of covered net deposits. Payment to the Banking Department will continue until the department's assets exceed 1% of total covered net deposits. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which are attributable to covered net deposits. Any losses as a result of final winding-up will be covered by the Deposit Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 5.6% of any losses.

Due to inadequacies in the prospectus of bankTrelleborg from 2007, as ruled by the Danish Supreme Court on 18 January 2013, Sydbank has paid damages to former minority shareholders of bankTrelleborg. Sydbank has received partial compensation for its loss by Fonden for bankTrelleborg, which sold bankTrelleborg to Sydbank.

The prospectus of bankTrelleborg was prepared with the assistance of professional advisers and prospectus liability insurance had been taken out. Sydbank has set up claims against these parties as regards the inadequate prospectus. The insurance company, AIG, has refused to cover the claim under the prospectus liability insurance and consequently it has been necessary for Sydbank to bring its claim before the arbitration tribunal.

Sydbank's risk of loss totals DKK 26m. It is Sydbank's assessment that the Bank will recover the full amount of damages paid to the minority shareholders.

Moreover 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.

Notes

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 distributed into 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 in 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 15m at 31 December 2014 (2013: DKK 40m).

During the year a net gain on hedging transactions of DKK 20m (2013: DKK 28m) has been recorded. The gain eliminates the equivalent net loss on the hedged items.

DKKm	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
Fixed-rate loans and advances				
Carrying amount	1,283	1,275	1,283	1,275
Fixed-rate deposits				
Carrying amount	4,262	4,856	4,262	4,856
The following derivatives are used to hedge the above:				
Swaps				
Principal	(5,997)	(7,653)	(5,997)	(7,653)
Fair value	66	29	66	29

Note 36 collateral

At the end of 2014, the Group had deposited as collateral securities at a market value of DKK 1,850m 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 of DKK 3,505m.

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	
	2014	2013	2014	2013
Assets sold as part of repo transactions				
Bonds at fair value	21,301	19,200	21,301	19,200
Assets purchased as part of reverse transactions				
Bonds at fair value	13,518	11,450	13,518	11,450
Shares etc	-	2	-	2

Note 37 Related parties

DKKm	2014 Group			2013 Group		
	Associates	Board of Directors	Executive Management	Associates	Board of Directors	Executive Management
Loans and advances and loan commitments	106	14	1	105	11	-
Deposits and other debt	130	8	5	146	51	4
Guarantees issued	-	-	-	-	-	-
Collateral received	-	0	0	-	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	391	-	-	389	-	-

Interest rates 2014, loans and advances

Group Executive Management: 2.1% p.a.

Board of Directors: 0.79-7.75% p.a.*

*Interest rates concern loans in different currencies.

There are no parties with significant influence on Sydbank A/S (ownership share of at least 20%). Associates are specified in [note 19](#). 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 January 2014 Sydbank A/S has acquired the banking operations, including any related assets and liabilities, of DiBa Bank 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 2014.

Notes

Note 37 Related parties - continued DKKm	Sydbank Group		Sydbank A/S	
	2014	2013	2014	2013
Amounts owed by and to subsidiaries etc				
Amounts owed by credit institutions and central banks	-	-	-	-
Loans and advances at amortised cost	-	-	170	163
Total asset items	-	-	170	163
Amounts owed to credit institutions	-	-	218	323
Deposits and other debt	-	-	302	-
Total liability items	-	-	520	323

Note 37 Related parties – continued

Sydbank Group

Number	On		Additions	Disposals	31 Dec 2014
	1 Jan 2014	appointment/ resignation			
Sydbank A/S shares held by					
Board of Directors (Personal holdings)					
Anders Thoustrup	770				770
Torben Nielsen	1,100		900		2,000
Svend Erik Busk	1,500				1,500
Peder Damgaard	966				966
Harry Max Friedrichsen	891	(891)			-
Alex Slot Hansen	-	57			57
Hanni Toosbuy Kasprzak	660	(660)			-
Erik Bank Lauridsen	2,100				2,100
Jacob Chr. Nielsen	-	77			77
Susanne Beck Nielsen	-	500	990		1,490
Jarl Oxlund	-	1,200			1,200
Steen Tophøj	1,654	(1,654)			-
Jan Uldahl-Jensen	975	(975)			-
Margrethe Weber	2,287				2,287
Total	12,903	(2,346)	1,890	-	12,447
Board of Directors (Own holdings and holdings by dependants)					
Anders Thoustrup	1,805			184	1,621
Torben Nielsen	1,100		900		2,000
Svend Erik Busk	1,500				1,500
Peder Damgaard	1,016			50	966
Harry Max Friedrichsen	1,021	(1,021)			-
Alex Slot Hansen	-	57			57
Hanni Toosbuy Kasprzak	292,660	(292,660)			-
Erik Bank Lauridsen	13,785				13,785
Jacob Chr. Nielsen	-	77			77
Susanne Beck Nielsen	-	500	1,115		1,615
Jarl Oxlund	-	1,200			1,200
Steen Tophøj	1,654	(1,654)			-
Jan Uldahl-Jensen	975	(975)			-
Margrethe Weber	2,287				2,287
Total	317,803	(294,476)	2,015	234	25,108
Group Executive Management (Own holdings and holdings by dependants)					
Karen Frøsig	3,766				3,766
Bjarne Larsen	1,967				1,967
Jan Svarre	1,240		610		1,850
Total	6,973	-	610	-	7,583
Total	324,776	(294,476)	2,625	234	32,691

Notes

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.

DKKm	Sydbank Group			
	Fair value	2014 Amortised cost	Fair value	2013 Amortised cost
Financial assets				
Cash and balances on demand at central banks	-	629	-	2,850
Amounts owed by credit institutions and central banks	6,731	2,863	6,701	2,099
Loans and advances at fair value	6,891	-	4,885	-
Loans and advances at amortised cost	-	68,451	-	66,592
Bonds at fair value	36,132	-	38,819	-
Shares etc	1,593	-	1,669	-
Assets related to pooled plans	10,790	-	10,162	-
Other assets	12,341	4,035	9,251	2,797
Total	74,478	75,978	71,487	74,338
Undrawn credit facilities	-	40,583	-	36,970
Maximum credit risk, collateral not considered	74,478	116,561	71,487	111,308
Financial liabilities				
Amounts owed to credit institutions and central banks	18,472	13,578	18,913	12,106
Deposits and other debt	2,601	71,321	-	70,027
Deposits in pooled plans	10,796	-	10,167	-
Bonds issued at amortised cost	-	3,741	-	6,462
Other liabilities	16,447	2,393	15,575	2,426
Subordinated capital	-	1,385	-	1,797
Total	48,316	92,418	44,655	92,818

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 unlisted shares and certain bonds, including CDOs, for which there is no active market.

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 139m.

Note 38 Fair value disclosure – continued

Sydbank Group

DKKm				
2014	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
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	-	18,473	-	18,473
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	48,288	-	48,317

DKKm				
2013	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets				
Amounts owed by credit institutions and central banks	-	6,701	-	6,701
Loans and advances at fair value	-	4,885	-	4,885
Bonds at fair value	-	38,819	-	38,819
Shares etc	285	27	1,357	1,669
Assets related to pooled plans	3,177	6,985	-	10,162
Other assets	13	9,238	-	9,251
Total	3,475	66,655	1,357	71,487
Financial liabilities				
Amounts owed to credit institutions and central banks	-	18,913	-	18,913
Deposits and other debt	-	-	-	-
Deposits in pooled plans	-	10,167	-	10,167
Other liabilities	18	15,557	-	15,575
Total	18	44,637	-	44,655

Notes

Note 38 Fair value disclosure – continued

Sydbank Group

DKKm	2014	2013
Assets measured on the basis of unobservable inputs		
Carrying amount at 1 Jan	1,357	1,221
Additions	231	154
Disposals	421	105
Market value adjustment	225	87
Value at 31 Dec	1,392	1,357
Recognised in profit for the year		
Interest income	-	4
Dividend	34	31
Market value adjustment	225	87
Total	259	122

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 2014 CVA constitutes DKK 63m compared to DKK 33m at year-end 2013.

The client margins recognised in connection with derivatives are amortised over the life of the transaction. At year-end 2014 the presently unamortised client margin totals DKK 24m compared to DKK 19m at year-end 2013.

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 2014 in all material respects.

Note 38 Fair value disclosure – continued

Sydbank Group

DKKm	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued at amortised cost	3,741	3,774	6,462	6,465
Subordinated capital	1,385	1,158	1,797	1,559

Note 39 Financial liabilities – contractual maturities

Sydbank Group

DKKm	2014		2013		Over 5 years
	On demand	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	
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
2013					
Amounts owed to credit institutions and central banks	6,034	23,052	1,360	26	547
Deposits and other debt	55,047	7,200	1,875	1,098	4,807
Bonds issued at amortised cost	-	2,719	-	3,743	-
Subordinated capital	-	-	-	250	1,547
Total	61,081	32,971	3,235	5,117	6,901
Contingent liabilities (guarantees)	5,652	2,083	418	359	205

Amounts are exclusive of interest.

Note 40 Activity per country

Sydbank Group

DKKm	2014		2013		Public subsidies received
	Turnover	Number of employees	Profit before tax	Tax	
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.

Notes

Note 41 Financial highlights

Sydbank Group

	2014	2013	2012	2011	2010
Income statement highlights (DKK m)					
Net interest and fee income	4,297	4,165	4,361	4,241	4,386
Market value adjustments	391	474	558	(26)	420
Staff costs and administrative expenses	2,497	2,314	2,380	2,463	2,353
Impairment of loans and advances etc	692	1,861	1,748	1,198	1,556
Profit/(Loss) on holdings in associates etc	9	2	10	(77)	2
Profit for the year	1,052	187	467	188	411
Balance sheet highlights (DKK bn)					
Loans and advances	75.3	71.5	74.2	76.5	83.7
Shareholders' equity	11.3	10.2	10.0	9.6	9.5
Total assets	152.3	147.9	152.7	153.4	150.8
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic	14.2	2.5	6.4	2.6	5.6
Book value	154.2	139.7	137.6	131.1	129.8
Dividend	7.08	-	-	-	1.0
Share price/EPS	13.4	56.7	15.6	35.5	27.1
Share price/book value	1.23	1.03	0.72	0.69	1.17
Other financial ratios and key figures					
Total capital ratio	16.0	15.7	15.9	16.1	15.4
Tier 1 capital ratio	15.5	15.3	15.6	15.2	14.3
Pre-tax profit as % of average shareholders' equity	12.3	1.7	6.4	3.1	6.0
Post-tax profit as % of average shareholders' equity	9.8	1.8	4.8	2.0	4.4
Income/cost ratio (DKK)	1.39	1.04	1.14	1.08	1.13
Interest rate risk	0.0	0.6	1.8	0.9	1.5
Foreign exchange position	1.8	2.1	0.9	1.6	1.2
Foreign exchange risk	0.0	0.0	0.0	0.1	0.0
Loans and advances relative to deposits	0.8	0.9	1.0	1.0	1.2
Loans and advances relative to shareholders' equity	6.7	7.0	7.4	8.0	8.8
Growth in loans and advances for the year	2.8	(3.7)	(3.0)	(8.7)	(4.3)
Excess cover relative to statutory liquidity requirements	142.2	179.8	127.4	148.7	106.3
Total large exposures	0.0	25.8	21.6	26.3	54.4
Impairment ratio for the year	0.7	2.2	2.0	1.5	1.7
Return on assets (%)	0.70	0.12	0.31	0.12	0.27

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

Note 41 Financial highlights – continued

Sydbank A/S

	2014	2013	2012	2011	2010
Income statement highlights (DKK m)					
Net interest and fee income	4,302	4,160	4,361	4,202	4,337
Market value adjustments	391	474	557	(33)	410
Staff costs and administrative expenses	2,505	2,316	2,390	2,380	2,301
Impairment of loans and advances etc	692	1,861	1,745	1,195	1,556
Profit/(Loss) on holdings in associates etc	7	(69)	4	(120)	(6)
Profit for the year	1,052	187	467	188	411
Balance sheet highlights (DKK bn)					
Loans and advances	75.5	69.3	74.4	75.8	83.0
Shareholders' equity	11.3	10.2	10.0	9.6	9.6
Total assets	152.8	143.8	152.9	153.0	150.6
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic	14.2	2.5	6.4	2.6	5.6
Book value	154.2	139.7	137.6	131.1	129.8
Dividend	7.08	-	-	-	1.00
Share price/EPS	13.4	56.7	15.6	35.5	27.1
Share price/book value	1.23	1.03	0.72	0.69	1.17
Other financial ratios and key figures					
Total capital ratio	16.0	16.0	15.8	16.3	15.6
Tier 1 capital ratio	15.4	15.8	15.5	15.3	14.5
Pre-tax profit as % of average shareholders' equity	12.2	1.9	6.4	3.1	6.0
Post-tax profit as % of average shareholders' equity	9.8	1.8	4.8	2.0	4.4
Income/cost ratio (DKK)	1.39	1.04	1.14	1.08	1.13
Interest rate risk	0.0	0.7	1.8	0.9	1.5
Foreign exchange position	1.8	2.1	0.9	1.6	1.2
Foreign exchange risk	0.0	0.0	0.0	0.1	0.0
Loans and advances relative to deposits	0.9	1.0	1.0	1.0	1.2
Loans and advances relative to shareholders' equity	6.7	6.8	7.4	7.9	8.7
Growth in loans and advances for the year	6.5	(6.8)	(1.9)	(8.6)	(4.6)
Excess cover relative to statutory liquidity requirements	141.4	175.2	127.0	151.4	110.0
Total large exposures	0.0	15.3	21.6	26.3	54.4
Impairment ratio for the year	0.7	2.3	2.0	1.5	1.7
Return on assets (%)	0.71	0.13	0.31	0.12	0.27

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

Notes

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 2014	Activity	Share capital (m)	Shareholders' equity (DKKm)	Result (DKKm)	Ownership share (%)
Sydbank A/S		DKK 742			
Consolidated subsidiaries					
DiBa A/S (consolidated result)	Banking*	DKK 66	362	7	100
Heering Huse ApS (consolidated result)	Real property	DKK 1	0	(1)	100
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK 10	23	3	100
Sydbank (Schweiz) AG in Liquidation, St. Gallen, Switzerland	Banking*	CHF 40	223	6	100

* With no significant activity at 31 December 2014.

Note 44 Large shareholders

Silchester International Investors LLP owns more than 10% of Sydbank's share capital.

DKKm

2014

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

2013

On 19 December 2013 the Group acquired all activities from the DiBa Bank Group.

Statement of fair value**Assets**

Cash and balances on demand at central banks	459
Amounts owed by credit institutions and central banks	41
Loans and advances at amortised cost	2,293
Bonds at fair value	1,324
Shares etc	249
Intangible assets, customer relationships	123
Land and buildings	132
Other property, plant and equipment	2
Deferred tax assets	143
Assets in temporary possession	14
Other assets	59
Total assets	4,839

Liabilities

Amounts owed to credit institutions and central banks	154
Deposits and other debt	3,869
Bonds issued	7
Other liabilities	79
Provisions for obligations	13
Subordinated capital	410
Total liabilities	4,532

Net assets acquired	307
Purchase price	479
Goodwill	172

Contingent liabilities

Guarantees	543
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Notes

Note 45 Acquisitions – continued

The purchase price for 96.7% of the share capital in DiBa Bank A/S has been settled in cash. Sydbank's obligation to redeem minority shareholders has been recognised as a liability at 31 December 2013.

Goodwill represents the value of acquired entities' expected cash generating ability that cannot be reliably allocated to the individual assets, including the value of staff, know-how and position in society as well as expected synergies from the amalgamation with the Sydbank Group.

The fair value of loans and advances is based on an assessment of the market value of the portfolio acquired. The fair value of loans and advances is determined as the present value of the cash flows which are expected to be received.

The gross contractual amount receivable represents DKK 2,820m. The net value of loans and advances before fair value adjustment represents DKK 2,538m. The fair value adjustment of loans and advances constitutes DKK 245m.

Transaction costs in connection with the acquisition represent DKK 1m which is recognised in the income statement under "Staff costs and administrative expenses".

It would not have been possible to determine the results of the Group if the acquisition date had been 1 January 2013. The ordinary activities of the activity acquired affect Group profit by DKK 3m for 2013. Non-recurring items constitute minus DKK 72m after tax.

Financial Ratio Definitions

Financial ratio	Definition
Return on assets (%)	Profit for the year divided by total average assets.
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.
Capital ratio	Total capital divided by total risk exposure.
Tier 1 capital ratio	Tier 1 capital divided by total risk exposure.
Common Equity Tier 1 capital ratio	Common Equity Tier 1 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.
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 excl PCA	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 excl PCA	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 exceeding 5 years	Over 5 years	Total 2014	Total 2013
Nominal values						
Foreign exchange contracts:						
Spot, bought	7,162	-	-	-	7,162	1,598
Spot, sold	6,132	-	-	-	6,132	1,817
Forwards/futures, bought	27,955	2,358	408	0	30,721	27,261
Forwards/futures, sold	35,824	2,755	428	0	39,007	30,203
Swaps	205	513	1,395	575	2,688	5,064
Options, acquired	2,078	478	106	0	2,662	1,942
Options, written	1,893	449	94	0	2,436	1,935
Interest rate contracts:						
Spot, bought	3,935	-	-	-	3,935	6,078
Spot, sold	2,581	-	-	-	2,581	5,149
Forwards/futures, bought	5,376	783	138	0	6,298	2,951
Forwards/futures, sold	5,510	1,117	0	0	6,626	7,416
Forward Rate Agreements, bought	9,280	18,874	0	0	28,154	33,356
Forward Rate Agreements, sold	10,769	16,949	0	0	27,718	33,358
Swaps	25,253	12,806	118,036	52,933	209,027	192,371
Options, acquired	6,922	33,703	5,472	1,847	47,944	34,883
Options, written	6,933	37,798	4,291	2,013	51,035	38,894
Equity contracts:						
Spot, bought	110	-	-	-	110	237
Spot, sold	113	-	-	-	113	219
Forwards/futures, bought	0	0	0	0	0	7
Forwards/futures, sold	0	0	0	0	0	7
Options, acquired	1	0	0	0	1	0
Options, written	1	0	0	0	1	0
Other derivative contracts:						
Futures commodities, bought	10	12	0	0	22	131
Futures commodities, sold	10	12	0	0	22	131
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	0	61	1,016	0	1,077	823

Distribution by maturity

DKKm	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years	Total 2014	Total 2013
Net market values						
Foreign exchange contracts:						
Spot, bought	12	-	-	-	12	(2)
Spot, sold	(9)	-	-	-	(9)	(3)
Forwards/futures, bought	822	30	16	0	868	(27)
Forwards/futures, sold	(624)	(31)	(7)	0	(662)	150
Swaps	(11)	9	23	51	72	117
Options, acquired	22	5	1	0	28	13
Options, written	(20)	(6)	(1)	0	(27)	(8)
Interest rate contracts:						
Spot, bought	3	-	-	-	3	(7)
Spot, sold	(3)	-	-	-	(3)	14
Forwards/futures, bought	10	1	0	0	11	1
Forwards/futures, sold	(7)	0	0	0	(7)	(2)
Forward Rate Agreements, bought	(6)	(8)	0	0	(14)	(23)
Forward Rate Agreements, sold	5	8	0	0	13	23
Swaps	(15)	12	(558)	(336)	(897)	(616)
Options, acquired	(4)	1	199	153	349	272
Options, written	2	0	(181)	(71)	(250)	(204)
Equity contracts:						
Spot, bought	2	-	-	-	2	2
Spot, sold	(1)	-	-	-	(1)	(1)
Forwards/futures, bought	0	0	0	0	0	1
Forwards/futures, sold	0	0	0	0	0	0
Options, acquired	5	0	0	0	5	1
Options, written	(5)	0	0	0	(5)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	(1)
Futures commodities, sold	0	0	0	0	0	1
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					(512)	(300)

Notes – Derivatives

DKKm	Total contracts 2014*			Total contracts 2013*		
	Positive	Negative	Net	Positive	Negative	Net
Market values						
Foreign exchange contracts:						
Spot, bought	13	(1)	12	4	(6)	(2)
Spot, sold	8	(17)	(9)	1	(4)	(3)
Forwards/futures, bought	1,115	(247)	868	280	(307)	(27)
Forwards/futures, sold	339	(1,001)	(662)	350	(200)	150
Swaps	212	(140)	72	230	(113)	117
Options, acquired	28	0	28	13	0	13
Options, written	0	(27)	(27)	0	(8)	(8)
Interest rate contracts:						
Spot, bought	4	(1)	3	1	(8)	(7)
Spot, sold	1	(4)	(3)	15	(1)	14
Forwards/futures, bought	12	(1)	11	4	(3)	1
Forwards/futures, sold	1	(8)	(7)	1	(3)	(2)
Forward Rate Agreements, bought	0	(14)	(14)	1	(24)	(23)
Forward Rate Agreements, sold	13	0	13	24	(1)	23
Swaps	10,033	(10,930)	(897)	7,797	(8,415)	(616)
Options, acquired	356	(7)	349	272	0	272
Options, written	10	(260)	(250)	6	(210)	(204)
Equity contracts:						
Spot, bought	4	(2)	2	4	(2)	2
Spot, sold	2	(3)	(1)	3	(4)	(1)
Forwards/futures, bought	0	0	0	1	0	1
Forwards/futures, sold	0	0	0	0	0	0
Options, acquired	5	0	5	1	0	1
Options, written	0	(5)	(5)	0	(1)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	(1)	(1)
Futures commodities, sold	0	0	0	1	0	1
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	8	(8)	0	10	(10)	0
Total market values	12,164	(12,676)	(512)	9,019	(9,321)	(300)

* All contracts are non-guaranteed.

DKKm	Total contracts 2014			Total contracts 2013		
	Positive	Negative	Net	Positive	Negative	Net
Average market values						
Foreign exchange contracts:						
Spot, bought	16	(13)	3	12	(14)	(2)
Spot, sold	22	(27)	(5)	10	(17)	(7)
Forwards/futures, bought	456	(188)	268	287	(304)	(17)
Forwards/futures, sold	245	(369)	(124)	329	(199)	130
Swaps	212	(118)	94	266	(148)	118
Options, acquired	21	0	21	21	0	21
Options, written	0	(19)	(19)	0	(19)	(19)
Interest rate contracts:						
Spot, bought	65	(5)	60	6	(41)	(35)
Spot, sold	5	(63)	(58)	42	(4)	38
Forwards/futures, bought	19	(7)	12	7	(33)	(26)
Forwards/futures, sold	8	(6)	2	25	(6)	19
Forward Rate Agreements, bought	1	(18)	(17)	7	(23)	(16)
Forward Rate Agreements, sold	17	(1)	16	22	(7)	15
Swaps	9,263	(9,932)	(669)	10,299	(10,891)	(592)
Options, acquired	321	(7)	314	400	0	400
Options, written	14	(239)	(225)	7	(352)	(345)
Equity contracts:						
Spot, bought	32	(5)	27	15	(8)	7
Spot, sold	5	(30)	(25)	6	(5)	1
Forwards/futures, bought	4	(1)	3	1	(3)	(2)
Forwards/futures, sold	1	(6)	(5)	3	(6)	(3)
Options, acquired	1	0	1	1	0	1
Options, written	0	(1)	(1)	0	(2)	(2)
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	13	(13)	0
Total average market values	10,736	(11,063)	(327)	11,779	(12,095)	(316)

Average market value calculations are based on monthly statements.

DKKm	Market values		Collateral		Exposure by counterparty	
	Positive	Negative	Provided	Received*	Amount due	Amount owed
2014						
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
2013						
Exposure						
Counterparties with CSA agreements	7,688	9,080	2,194	650	363	211
Counterparties without CSA agreements	1,331	241	-	-	1,331	241
Total	9,019	9,321	2,194	650	1,694	452

* 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, an ordinary board member, 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 meets 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.

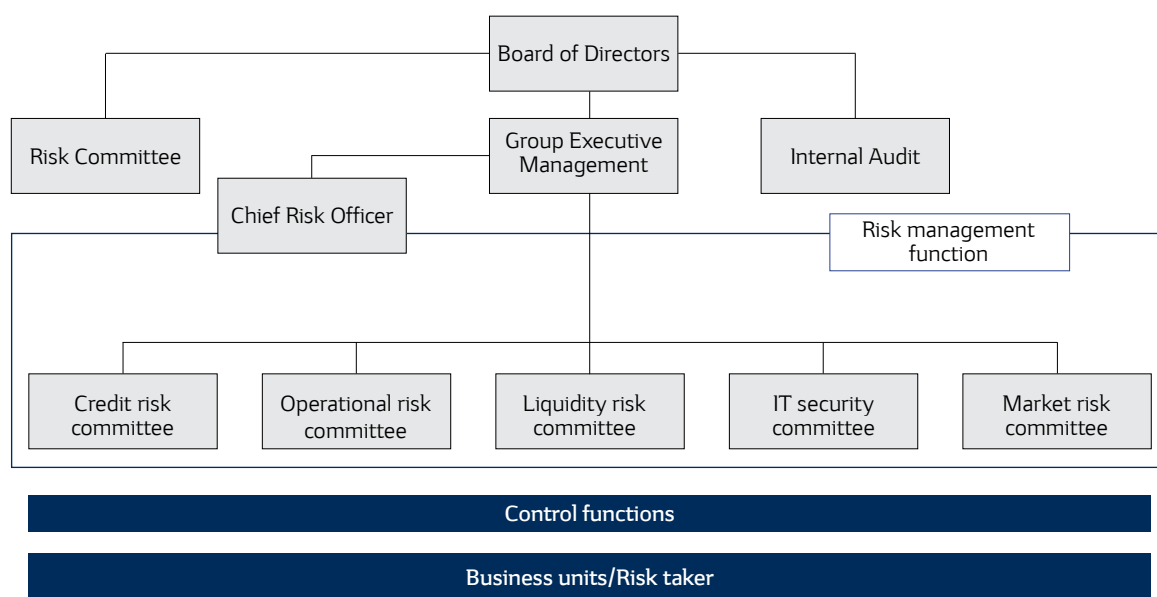
Risk management is supported by the Group's risk organisation, see the chart below.

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 meet 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 2014 together with the Group's 2014 financial statements, Credit Risk 2014, the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) at 31 December 2014 and the Group's Internal Capital Adequacy Assessment Process (ICAAP) at 31 December 2014 constitute the main elements of Risk Committee and Audit Committee meetings as well as board meetings at the beginning of 2015. 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 experience, education and training as well as to the employee's client portfolio and the individual client's rating. In connection with new clients employees have limited lending authority.

Retail clients

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 at the regional head offices. Major exposures and highly leveraged retail exposures are approved centrally by Credits.

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.

Corporate clients

As a rule corporate clients are serviced by the regional head office or by special corporate departments. The objective is that all SME exposures with satisfactory credit quality are approved by the regional head office. Medium-size and major exposures are approved centrally by Credits, the Group Executive Management or the Board of Directors. Some of the Group's largest and most complex exposures are handled by Corporate Banking & Finance.

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 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, SMEs, 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 good 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 at least every six months at the initiative of Credits. The objective is to ensure that the Group's action plans for these exposures are evaluated and adjusted on a regular basis.

Moreover Credits has a department which is assigned to exposures with a risk of loss exceeding DKK 5m. 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, the quality of documents and 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.

Notes – Risk Management

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

Rating

The Group has developed rating models to manage credit risks to retail and corporate 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 risk parameters 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 four 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 clients

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.

SMEs

The SME model is to a large extent identical to the retail client model but the data is supplemented by further transaction variables concerning the corporate account relationship.

Corporate clients

The corporate client model is based partly on the client's accounting data and partly on the client's 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, the calculated ratings are assessed by Credits at least twice a year.

Investment clients

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 portion of the exposures – primarily exposures acquired from DiBa Bank – are not yet included in the rating models.

Loans/advances and guarantees by rating category

DKKm	Corporate			Retail			Total			2014
	Loans/ advances	Guarantees	%	Loans/ advances	Guarantees	%	Loans/ advances	Guarantees	%	
1	949	105	1.9	6,943	2,375	30.8	7,892	2,480	12.0	
2	8,400	1,548	17.7	5,751	1,135	22.8	14,151	2,683	19.4	
3	11,364	1,311	22.5	3,848	946	15.8	15,212	2,257	20.2	
4	8,012	988	16.0	1,619	462	6.9	9,631	1,450	12.8	
5	5,655	891	11.6	1,277	284	5.2	6,932	1,175	9.4	
6	3,471	529	7.1	634	165	2.6	4,105	694	5.5	
7	1,579	343	3.4	180	20	0.7	1,759	363	2.4	
8	674	179	1.5	153	29	0.6	827	208	1.2	
9	5,468	748	11.0	1,619	89	5.6	7,087	837	9.2	
Default	2,267	209	4.4	354	11	1.2	2,621	220	3.3	
NR	1,428	219	2.9	1,103	1,260	7.8	2,531	1,479	4.6	
Total	49,267	7,070	100.0	23,481	6,776	100.0	72,748	13,846	100.0	
Individual impairment of loans and advances	3,028			968			3,996			
Collective impairment of loans and advances	253			48			301			
Total	45,986	7,070		22,465	6,776		68,451	13,846		

The table above shows that corporate loans and advances (including public authorities) account for 67% (2013: 69%) of total loans and advances, and retail loans and advances constitute 33% (2013: 31%). 58% (2013: 54%) of the Group's corporate loans and advances are rated in categories 1-4 and 77% (2013: 74%) of the Group's retail loans and advances are rated in categories 1-4.

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 as least one non-accrual credit facility

- An impairment charge/provision has been registered in connection with the client indicating that a loss must be regarded as unavoidable
- The exposure has been transferred to the Group's central department for non-performing exposures.

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.

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. 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.

Notes – Risk Management

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 4m or 0.03% 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 2014	Total 2013
DKK	4	13	84	56	157	194
EUR	19	(29)	6	(158)	(162)	(49)
EUR/DKK	23	(16)	90	(102)	5	145
USD	(2)	1	1	1	1	(77)
CHF	1	(1)	-	1	1	(3)
Other	(1)	(1)	-	1	(1)	2
Total 2014	21	(17)	91	(99)	(4)	
Total 2013	26	(71)	30	82		67

The Group has no significant interest rate risk in the event of changes in short-term interest rates (< 2 years) and a limited risk in the event of changes in long-term interest rates. The Group has no significant interest rate risk apart from EUR/DKK.

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

The method of calculation of the Danish FSA 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 2014 this risk measure constitutes DKK 421m (2013: DKK 470m).

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 1,761m at year-end (2013 DKK 1,831m), including equity investments totalling DKK 1,579m (2013: DKK 1,495m).

In the event of a 10% change in share prices, profit before tax will be affected by DKK 176m (2013: DKK 183m), including equity investments totalling DKK 158m (2013: DKK 146m).

Foreign exchange risk

As in previous years the Group's foreign exchange risk was insignificant in 2014 and consequently a 10% change in foreign exchange rates against DKK at 31 December 2014 will not affect profit before tax significantly.

Other market risks

The Group does not have any other significant market risks at 31 December 2014.

Notes – Risk Management

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 targets and policies, operational targets, distribution of responsibilities, stress test scenarios, requirements for reporting and contingency plans, requirements for involvement of the Board of Directors, requirements for employee competencies as well as requirements for funding sources.

Targets and policies:

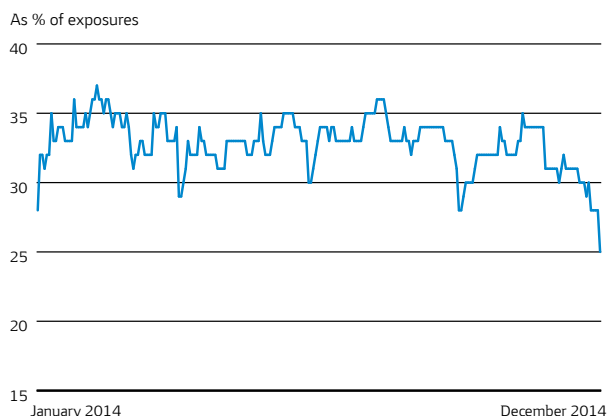
- Consistently strong and stable deposit base which ensures stability in the long-term funding of the Group's lending activities.
- Maintenance of a relatively high level of ratings.
- Active participation in international money markets as well as access to international capital markets through the application of loan programmes. Coupled with a relatively 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 capital market 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:

- Cash and cash equivalents relative to debt and guarantee exposures (section 152(1)2 of the Danish Financial Business Act (the 10% requirement)).
- Cash and cash equivalents relative to short-term debt and guarantee exposures (section 152(1)1 of the Danish Financial Business Act).
- Deposit/loan ratio (excl repo/reverse transactions).
- Liquidity targets under a mild stress scenario, see below.

Liquidity for 2014, measured in relation to the 10% requirement, appears from the chart below.

Liquidity in 2014

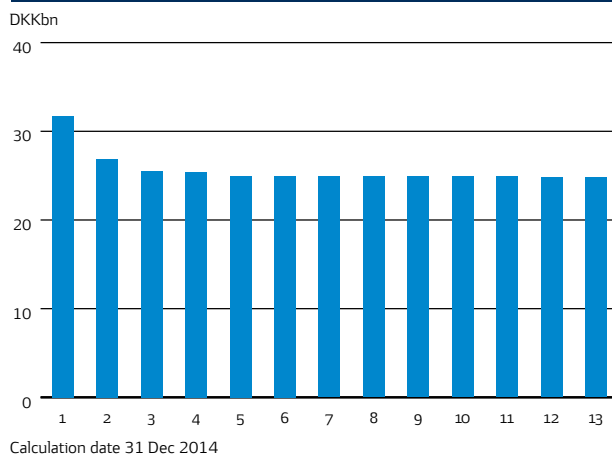


The size of liquidity is adjusted to the maturity profile of exposures to enable the Group to honour debt and guarantee exposures as they mature. Reference is made to note 39 for the maturity profiles of the Group's debt exposures.

In addition the Board of Directors has set requirements concerning the Group's ability to withstand a run-off of capital market funding, defined in terms of the interbank market and Global MTN issues, and at the same time finance normal growth in loans and advances.

The time frame is 12 months and is based on the Group's liquidity buffer, which is determined while taking into account the liquidity value of the Group's assets. Fully liquid deposits with Danmarks Nationalbank and certificates of deposit are included at full value in contrast to for instance unlisted shares which do not carry any value. Consequently the assets are recognised at a conservatively determined realisable value or loan value when calculating the liquidity buffer.

Moody's 12-month liquidity curve



The Bank's Board of Directors has imposed the following requirements regarding the Group's funding sources:

- The Group's funding must be diversified so as to reduce to the extent possible reliance on individual sources.
- The Group's funding must be composed so that illiquid assets, eg loans and advances, are financed predominantly via stable funding, primarily shareholders' equity, bonds issued and deposits.
- Liquid assets, eg bonds which are eligible as collateral with Danmarks Nationalbank, may be funded via more volatile sources such as the interbank market. Consequently alternative funding must be available or the possibilities of selling the asset must be good.

Moreover the Group must have a liquidity buffer that ensures cash and cash equivalents to cover a run-off of all volatile funding sources as well as a certain part of the more stable funding sources.

In early 2014 the Group redeemed a fixed-rate senior loan of EUR 500m (DKK 3.7bn). The Group's remaining bond issue of EUR 500m (DKK 3.7bn) will expire in Q4 2016 and the Group is considering an additional issuance in the course of 2015.

The new EU requirements (CRR and CRD IV) apply from 1 January 2015 but the implementation of the specific requirements for liquidity buffer size and composition in the context of a stress scenario of 30 days' duration (LCR) has been deferred until October 2015 as have the corresponding Danish requirements for SIFIs.

There are still a few uncertainties as regards the rules and the international supervisory authorities (EBA) are preparing reporting forms and accompanying guidelines aimed at removing these uncertainties.

As expected a solution has been found whereby Danish mortgage bonds are eligible for inclusion in the liquidity buffer. The largest and most liquid series may be recognised under Level I assets, others under Level II assets. Recognition is capped at 70% of the total liquidity buffer.

At 31 December 2014 the Group's portfolio of Level IA assets (government bonds etc) is not sufficient to ensure recognition of the Group's portfolio of Level IB assets (mortgage bonds) to such an extent that the full LCR requirement is met. As a consequence of Sydbank's status as a SIFI, the full LCR requirement of 100 must be met from 1 October 2015.

From the beginning of 2015 the Group has calculated LCR on a daily basis and it will meet the requirements before the rules enter into force in October 2015.

In the course of 2015 the Group will replace or supplement the existing internal liquidity requirements with new internal LCR requirements.

Notes – Risk Management

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 2014 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 as 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 as well as on a system level. 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 consistency. 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 in terms 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 by way of the NemID system delivers part of the security associated with the systems that are 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 as regards the transactions that are 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 contained in the Danish Financial Business Act. Danish capital adequacy rules are based on EU capital requirements directives and apply to both the parent and the Group.

The capital adequacy rules call for 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 new 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 a good rating gives the Group easier and cheaper access to capital and liquidity in the capital markets.

In 2014 the Group has met regulatory capital requirements as well as internal capital targets.

Management Statement

We have reviewed and approved the 2014 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 financial statements of the parent company 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 2014 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 2014. 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, respectively.

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

Aabenraa, 18 February 2015

Group Executive Management

Karen Frøsig
(CEO)

Bjarne Larsen

Jan Svarre

Board of Directors

Anders Thoustrup
(Chairman)

Torben Nielsen
(Vice-Chairman)

Svend Erik Busk

Peder Damgaard

Alex Slot Hansen

Erik Bank Lauridsen

Jacob Chr. Nielsen

Jarl Oxlund

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 2014. 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.

Furthermore, 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 2014 and of the results of the Group's and the parent company operations and cash flows for the financial year 1 January – 31 December 2014 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, 18 February 2015

Ole Kirkbak
Head of Internal Audit

Auditors' Reports

Independent Auditors' Report

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 2014. 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.

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 evaluating 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.

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 2014 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2014 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, 18 February 2015

Ernst & Young

Godkendt Revisionspartnerselskab

Lars Rhod Søndergaard

State Authorised Public Accountant

Jakob Nyborg

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 12 March 2015 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 2014.
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. Proposals to amend the Articles of Association as follows:

a. In Article 1 (1) to add a new secondary name "Diba Bank A/S".

b. In Article 3 (1) and (2) to extend the authorisation to increase the share capital until 1 March 2020.

c. To amend Article 10 (1) 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 5 March 2015.

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 6 March 2015.

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 6 March 2015 and postal votes must have been received by the Bank no later than 10 March 2015.

Aabenraa, 11 February 2015

The Board of Directors of Sydbank A/S
Anders Thoustrup, Chairman

Board of Directors



Chairman
General Manager Anders Thoustrup
Randers

Born: 27 February 1949

Education: Banking and agriculture

Elected to Board of Directors: 2000

Expiry of current term of office: 2015

Independent: Yes

Committee memberships: Chairman of Remuneration Committee, Chairman of Nomination Committee. Member of Audit Committee and Risk Committee. Member of the dissolved Corporate Governance Committee.

Directorships: Member of the Board of Directors/Executive Management of: Danish African Development Company A/S. Member of the Executive Management of: Egevangen Invest ApS.

Board duties: Chairman of the Boards of Directors of: Randers Investeringselskab A/S, B.N. Skilte. Randers A/S, Sonja og Wilhelm Mathisens Fond, Hotel Randers A/S, Hotel Randers Ejendomme A/S, FORNAX A/S. Member of the Boards of Directors of: Vækstfonden, Godsejer Lilly Friis og godsejer, dyrlæge, dr.med.vet. Carl W. Friis' Fond, Randers Parkering & Service A/S, A/S Randers Maskin-, Automobil- og Tandhjulsfabrik.

Specific competences: Management, accounting, regulation, industry and credit risks.

Attendance record in 2014: 11/12

Number of Sydbank shares at year-end 2014: 1,621

Movement for the year in number of shares: -184



Vice-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 Risk Committee and member of Audit Committee and Nomination Committee. Member of the dissolved Corporate Governance Committee.

Directorships: Executive Management member of: Bombøbøssen, General Manager of: Bawn Invest ApS.

Board duties: Chairman of the Boards of Directors of: Investeringsforeningen Sparinvest, EIK banki p/f, Faroe Islands, Museum Sydøstdanmark, Vordingborg Borg Fond, Capital Market Partners A/S. Vice-Chairman of the Boards of Directors of: Tryg a/s, Tryg forsikring a/s. Member of the Boards of Directors of: Sampension KP Livsforsikring a/s, Sampension Administrationselskab A/S, DLR Kredit A/S.

Specific competences: Management, models, accounting, mortgage credit, insurance, credit risks, liquidity risks and it risks.

Attendance record in 2014: 11/12

Number of Sydbank shares at year-end 2014: 2,000

Movement for the year in number of shares: +900



General Manager

Svend Erik Busk

Aabenraa

Born: 16 January 1948

Education: Accountant

Elected to Board of Directors: 2009

Expiry of current term of office: 2016

Independent: Yes

Committee memberships: Chairman of Audit Committee.

Directorships: General Manager and member of Board of Directors of: 2+STAU ApS.

Board duties: Chairman of the Boards of Directors of: Bjergmose A/S, Van Overbeek ApS. Member of the Boards of Directors of: Slovakian Farm Invest A/S, Duus A/S, ZENI Arkitekter A/S, Heinrich Callesen Holding A/S, JFJ Invest Haderslev ApS, Soenderskov ApS, RC Landbrug ApS, Aabenraa Antikvitetshandel, Hans Jørgen Petersen A/S.

Specific competences: Accounting, credit risks and operational risks.

Attendance record in 2014: 12/12

Number of Sydbank shares at year-end 2014: 1,500

Movement for the year in number of shares: -



General Manager

Former Principal

Peder Damgaard

Kruså

Born: 13 December 1956

Education: MSc in Agriculture

Elected to Board of Directors: 2006

Expiry of current term of office: 2017

Independent: Yes

Committee memberships: Member of Remuneration Committee and Risk Committee.

Directorships: General Manager of: Gråsten Andelsboligforening.

Board duties: Chairman of the Board of Directors of: BHJ Fonden. Member of the Boards of Directors of: Rødding Højskole, Grænseforeningen, Sydbank Sønderjyllands Fond, Sydbank Fonden.

Specific competences: Management, accounting, economics, mortgage credit and agriculture.

Attendance record in 2014: 12/12

Number of Sydbank shares at year-end 2014: 966

Movement for the year in number of shares: -50

Board of Directors



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

Independent: Yes

Committee memberships: Member of Remuneration Committee and Nomination Committee. Member of the dissolved Corporate Governance Committee.

Directorships: General Manager of: E.B.L. III ApS, E.B.L. II ApS, Reder Holding ApS.

Board duties: Chairman of the Boards of Directors of: Arnbjerg Pavillonen I/S, Concens A/S. Member of the Boards of Directors and General Manager of: Holding C.L. A/S, E. Bank Lauridsen Holding A/S. Member of the Boards of Directors of: Kong Haralds Park 1 A/S, West-Coast Real Estate A/S, West-Coast Real Estate II A/S, REKA Management A/S, West-Coast Real Estate Herlev A/S, Brombærparken Bygn. A A/S, Brombærparken Bygn. B A/S, Green Force Company A/S, WCRE Holding A/S, Europæisk Autoskadecenter A/S.

Specific competences: Management, accounting, financial transactions, trade and real property.

Attendance record in 2014: 12/12

Number of Sydbank shares at year-end 2014: 13,785

Movement for the year in number of shares: -



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: -

Directorships: General Manager of: FDE Holding A/S, ITD.

Board duties:

Chairman of the Boards of Directors of: VIALTIS A/S, FDE A/S.

Specific competences: Management, accounting, insurance, industry and finance.

Attendance record in 2014: 10/10

Number of Sydbank shares at year-end 2014: 77

Movement for the year in number of shares: -



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: -

Board duties: -

Specific competences: Management, economics, investment and accounting.

Attendance record in 2014: 9/10

Number of Sydbank shares at year-end 2014: 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, Master in Organisational Psychology

Elected to Board of Directors: 2014

Expiry of current term of office: 2018

Independent: No

Elected by the employees

Committee memberships: -

Directorships: -

Board duties: -

Specific competences: Accounting, bank products and organisation.

Attendance record in 2014: 9/10

Number of Sydbank shares at year-end 2014: 1,200

Movement for the year in number of shares: -

Board of Directors



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: -

Board duties: -

Specific competences: Bank products and credit risks.

Attendance record in 2014: 11/12

Number of Sydbank shares at year-end 2014: 2,287

Movement for the year in number of shares: -

Group Executive Management



CEO

**Karen Frøsig
Bramming**

Born: 23 September 1958

Group Executive Management member since: 2008

CEO since: 2010

Board duties: Chairman of the Boards of Directors of: Ejendomsselskabet af 1. juni 1986 A/S, DiBa A/S, Danish Regional Bankers' Association, Bogføringsforeningen Bankdata. Vice-Chairman of the Board of Directors of: PRAS A/S. Member of the Boards of Directors of: Sydbank Sønderjyllands Fond, Sydbank Fonden, The Danish Bankers Association, Totalkredit A/S, BI Holding A/S, Musikhuset Esbjerg. Fond, DLR Kredit A/S.

Number of Sydbank shares at year-end 2014: 3,766

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

Board duties: Member of the Boards of Directors of: DiBa A/S, SWIPP HOLDING ApS, 4T af 1. oktober 2012 Drift ApS.

Number of Sydbank shares at year-end 2014: 1,850

Movement for the year in number of shares: +610



Deputy Group Chief Executive

Bjarne Larsen

Vamdrup

Born: 5 November 1963

Group Executive Management member since: 2013

Board duties: Vice-Chairman of the Board of Directors of: DiBa A/S. Member of the Board of Directors of: Ejendomsselskabet af 1. juni 1986 A/S.

Number of Sydbank shares at year-end 2014: 1,967

Movement for the year in number of shares: -

Organisation

