

## Sydbank A/S as a systemically important financial institution (SIFI)

In pursuance of section 308 of the Danish Financial Business Act, the Danish Financial Supervisory Authority (the Danish FSA) annually reviews whether designated systemically important financial institutions (SIFIs) continue to exceed the threshold values as regards one or several of the below three indicators in order to be designated as a SIFI.

If a systemically important financial institution (SIFI) does not exceed the threshold values for the below indicators for three consecutive years it will cease to be a SIFI, cf section 308(4) of the Danish Financial Business Act.

The Danish FSA has established that Sydbank A/S still exceeds the threshold values of two of the three indicators.

### Indicators

|   | 2016 | 2015 | Threshold |
|---|------|------|-----------|
| Total assets of the institution as % of GDP   | 7.1  | 7.2  | > 6.5     |
| Domestic lending of the institution as % of total domestic lending of Danish banks and mortgage credit institutions | 2.2  | 2.1  | > 5.0     |
| Domestic deposits of the institution as % of total domestic deposits of Danish banks                                | 7.8  | 6.4  | > 5.0     |

The Danish FSA has determined Sydbank A/S' systemic importance (systemicity) at 4.1, cf section 308(6) of the Danish Financial Business Act. Systemicity is calculated as an average of the factors shown below, cf section 308(6) of the Danish Financial Business Act. Two of the factors are identical to the indicators shown above.

## Factors and systemicity

|   | 2016       |
|---|------------|
| Total assets of the institution as % of the total assets of Danish banks, mortgage credit institutions and class 1 investment firms | 2.3        |
| Domestic lending of the institution as % of total domestic lending of Danish banks and mortgage credit institutions                 | 2.2        |
| Domestic deposits of the institution as % of total domestic deposits of Danish banks  | 7.8        |
| <b>Systemicity</b>  | <b>4.1</b> |

Based on the calculation of systemicity, institutions are placed in categories of systemicity, cf section 308(7) of the Danish Financial Business Act. Sydbank A/S is rated in category 1, see the table below.

### Systemicity categories

|            | <i>Systemicity</i> |
|------------|--------------------|
| Category 1 | ≤ 5                |
| Category 2 | [5-15[             |
| Category 3 | [15-25[            |
| Category 4 | [25-35[            |
| Category 5 | ≥ 35               |

Sydbank A/S must meet a capital requirement by way of a SIFI buffer requirement of 1% reflecting the systemic importance (systemicity) of the institution, cf section 23(4) of Act No 268 of 25 March 2014. The SIFI buffer requirement must be met in terms of Common Equity Tier 1 (CET 1) capital. The requirement will be phased in during the period 2015-2019. The SIFI buffer percentage requirement must be met at both a consolidated level for the group and at an individual level for each bank and mortgage credit institution forming part of the group, cf section 309(2) of the Danish Financial Business Act.

The SIFI buffer requirements are determined by the Danish Minister for Industry, Business and Financial Affairs within the systemic buffer framework, cf section 125h, cf section 125a(6) of the Danish Financial Business Act.