**IMPORTANT: You must read the following before continuing**. The following applies to the Prospectus following this page (the **Prospectus**), and you are therefore required to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES DESCRIBED IN THE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

***Confirmation of your Representation***: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities described in the Prospectus, you must be a person other than a U.S. person (within the meaning of Regulation S under the Securities Act) who is outside the United States. By accepting the email and accessing the Prospectus, you shall be deemed to have represented to Danske Bank A/S and J.P. Morgan Securities plc (together, the **Joint Lead Managers**) that you are not, and that any customer represented by you is not, a U.S. person; the electronic mail address that you have given to us and to which this email has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of the Prospectus by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of any Joint Lead Manager is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the relevant Joint Lead Manager in such jurisdiction.

The attached Prospectus is for distribution only to persons who are: (i) investment professionals, as such term is defined in Article 19(5) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the **Financial Promotion Order**); (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order; (iii) outside the United Kingdom; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The attached Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, any person who controls any of them, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Lead Managers.

**Restrictions on marketing and sales to retail investors**

The securities described in the Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions (including the United Kingdom), regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the securities described in the Prospectus to retail investors.

In particular, in June 2015, the United Kingdom Financial Conduct Authority (the **FCA**) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1st October, 2015 (the **PI Instrument**).

In addition, (i) on 1st January, 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (as amended, the **PRIIPs Regulation**) became directly applicable in all EEA member states and (ii) Directive 2014/65/EU (as amended, **MiFID II**) was required to be implemented in EEA member states by 3rd January, 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the **Regulations**.

The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the securities described in the Prospectus.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the securities described in Prospectus (or any beneficial interests therein), including the Regulations.

The Issuer and each of the Joint Lead Managers are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any securities described in the Prospectus (or a beneficial interest in such securities) from the Issuer and/or the Joint Lead Managers, each prospective investor will thereby represent, warrant, agree with and undertake to the Issuer and each of the Joint Lead Managers that:

(i) it is not a retail client as defined in MiFID II;

(ii) whether or not it is subject to the Regulations, it will not:

a. sell or offer the securities described in the Prospectus (or any beneficial interest therein) to retail clients (as defined in MiFID II); or

b. communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the securities described in the Prospectus (or any beneficial interests therein) where that invitation or inducement is addressed to, or disseminated in such a way that it is likely to be received by, a retail client (as defined in MiFID II). In selling or offering securities described in the Prospectus or making or approving communications relating to the securities described in the Prospectus, it may not rely on the limited exemptions set out in the PI Instrument; and

(iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the securities described in the Prospectus (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the securities described in the Prospectus (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

(i) the identified target market for the securities described in the Prospectus (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and

(ii) no key information document (KID) under the PRIIPs Regulation has been prepared and therefore offering or selling the securities described in the Prospectus or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Each potential investor should inform itself of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the securities described in the Prospectus (or any beneficial interests therein).

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any securities described in the Prospectus (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

# SYDBANK

*(incorporated with limited liability in Denmark)*

## *€100,000,000 Perpetual Non-cumulative Resettable Additional Tier 1 Capital Notes*

### *Issue price: 100.00 per cent.*

The €100,000,000 Perpetual Non-cumulative Resettable Additional Tier 1 Capital Notes (in Danish: "*kapitalbeviser*") (the **Notes**) will be issued by Sydbank A/S (the **Issuer**, the **Bank** and **Sydbank**). Subject to Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes) in "*Terms and Conditions of the Notes*", the Notes will constitute direct, unconditional, unsecured and subordinated debt obligations of the Issuer, as described in Condition 4 (Status of the Notes) in "*Terms and Conditions of the Notes*".

The Notes will bear interest on their Outstanding Principal Amounts (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*"), payable semi-annually in arrear on 28th February and 28th August in each year (each an **Interest Payment Date**), from (and including) 30th May, 2018 (the **Issue Date**) to (but excluding) 28th August, 2025 (the **First Call Date**) at the rate of 5.250 per cent. per annum. There will be a short first interest period. The first payment of interest will be made on 28th August, 2018 in respect of the period from (and including) the Issue Date to (but excluding) 28th August, 2018. The rate of interest will reset on the First Call Date and on each Reset Date (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*") thereafter. See Condition 5 (Interest and other Calculations) in "*Terms and Conditions of the Notes*".

The Issuer may elect in its sole discretion to cancel any payment of interest in respect of the Notes at any time, in whole or in part. In addition, a payment of interest in respect of the Notes will be mandatorily cancelled in certain circumstances. Following any such cancellation of interest in respect of an Interest Period (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*"), the right of the holders of the Notes (the **Noteholders**) to receive accrued interest in respect of such Interest Period will terminate and the Issuer will have no further obligation to pay such interest to the Noteholders. See Condition 6 (Interest Cancellation) in "*Terms and Conditions of the Notes*".

The Notes are perpetual securities and have no fixed date for redemption and Noteholders do not have the right to call for their redemption. Subject as provided herein, the Issuer may, at its option, redeem all, but not some only, of the Notes on the First Call Date or on any Interest Payment Date thereafter at their Outstanding Principal Amounts, together with accrued interest thereon insofar as it has not been cancelled. Subject as provided herein, the Issuer may also, at its option, redeem all, but not some only, of the Notes at any time during the relevant redemption period (as specified in Condition 8.2 (Early redemption upon the occurrence of a Special Event) in "*Terms and Conditions of the Notes*") at their Outstanding Principal Amounts, together with accrued interest thereon insofar as it has not been cancelled upon the occurrence of a Tax Event or Capital Event (each as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*"). Subject to Condition 8.7 (Conditions to redemption etc) in "*Terms and Conditions of the Notes*", (i) if a Special Event (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*") has occurred and is continuing or (ii) in order to ensure the effectiveness and enforceability of Condition 18.4, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Capital Notes (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*"). Any such substitution, variation or redemption, as the case may be, is subject to certain conditions. See Condition 8 (Redemption and Purchase) in "*Terms and Conditions of the Notes*".

If at any time the Common Equity Tier 1 Capital Ratio (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*") of the Issuer and/or the Group (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*") has fallen below 7.00 per cent., the Outstanding Principal Amounts shall be reduced. Following any such reduction of the Outstanding Principal Amounts, the Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes, if certain conditions are met. See Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes) in "*Terms and Conditions of the Notes*".

Each amount of interest payable under the Notes is calculated by reference to the mid-swap rate for euro swaps with a term of 5 years which appears on the Reuters screen "ICESWAP2" as of 11.00 a.m. (Brussels time) on the relevant Reference Rate Determination Date (as defined in Condition 2 (Definitions and Interpretation) in "*Terms and Conditions of the Notes*") which is provided by ICE Benchmark Administration or by reference to EURIBOR, which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration and the European Money Markets Institute do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 of Regulation (EU) 2016/1011 (the **Benchmark Regulation**). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that ICE Benchmark Administration and the European Money Markets Institute are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Application has been made to the Financial Conduct Authority (the **FCA**) in its capacity as competent authority (the **UK Listing Authority**) for the Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's European Economic Area (**EEA**) Regulated Market (the **Market**), in each case with effect from the Issue Date. The Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**).

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the **Prospectus Directive**) and has been prepared for the purpose of giving information with regard to the Issuer together with its consolidated subsidiaries (the **Group**) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Notes are not intended to be sold and should not be sold to retail clients, as defined in MiFID II. Prospective investors are referred to the section headed "*Restrictions on Marketing and Sales to Retail Investors*" on page 5 of this Prospectus for further information.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. The Notes may be offered and sold outside the United States to non U.S. persons in reliance on Regulation S (**Regulation S**) under the Securities Act. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

The Issuer has a Long-Term deposit rating of A3 by Moody's Investors Service Ltd. (**Moody's**). The Notes are expected to be rated Ba1 by Moody's. Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) and is included in the list of credit rating agencies registered in accordance with the CRA Regulation as of the date of this Prospectus. This list is available on the ESMA website at www.esma.europa.eu/page/List-registered-and-certified-CRAs (list last updated on 1st May, 2018). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will initially be in the form of a temporary global note (the **Temporary Global Note**), without interest coupons (**Coupons**), which will be deposited on or around the Issue Date with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without Coupons, on or after 9th July, 2018 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for Notes in definitive form (**Definitive Notes**) only in certain limited circumstances in accordance with the terms of the Permanent Global Note. Definitive Notes will have attached Coupons and, if necessary, talons (**Talons**) for further Coupons - see "*Overview of Provisions relating to the Notes while in Global Form*".

**An investment in the Notes involves certain risks. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. For a discussion of these risks see "*Risk Factors*" below.**

**Joint Lead Managers and Joint Bookrunners**

**DANSKE BANK** **J.P. MORGAN**

The date of this Prospectus is 25th May, 2018

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in the Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has confirmed to Danske Bank A/S and J.P. Morgan Securities plc (each, a **Joint Lead Manager** and together, the **Joint Lead Managers**) that this Prospectus does not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made herein, in the light of the circumstances under which they were made, not misleading; that there is no other fact or matter omitted from the Prospectus which was or is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and of the rights attaching to the Notes; and that all reasonable enquiries have been made to verify the foregoing.

Certain information in the section entitled "*Description of the Issuer*" on page 60 has been extracted from publications by Finance Denmark and the Danish FSA. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Prospectus.

No representation or warranty is made or implied by the Joint Lead Managers or any of their respective affiliates, and neither the Joint Lead Managers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No person is or has been authorised by the Issuer or any Joint Lead Manager to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers.

This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions (see "*Subscription and Sale*").

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase the Notes and should not be considered as a recommendation by the Issuer, the Joint Lead Managers or any of them that any recipient of this Prospectus should subscribe for or purchase the Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

All references in this Prospectus to **Danish Kroner** or **DKK** are to the currency of Denmark, all references to **EUR** or **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, of those members of the EU which are participating in the European economic and monetary union and all references to **GBP** are to pounds sterling.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments, i.e. euro, is different from the currency in which such potential investor's financial activities are principally denominated; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. The Notes are complex financial instruments and may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## IMPORTANT NOTICE

## RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions (including the United Kingdom), regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the FCA published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1st October, 2015 (the **PI Instrument**).

In addition, (i) on 1st January, 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (as amended, the **PRIIPs Regulation**) became directly applicable in all EEA member states and (ii) MiFID II was required to be implemented in EEA member states by 3rd January, 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the **Regulations**.

The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Notes.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the Regulations.

The Issuer and each of the Joint Lead Managers are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or the Joint Lead Managers, each prospective investor will thereby represent, warrant, agree with and undertake to the Issuer and each of the Joint Lead Managers that:

(i) it is not a retail client as defined in MiFID II;

(ii) whether or not it is subject to the Regulations, it will not:

  (A) sell or offer the Notes (or any beneficial interest therein) to retail clients (as defined in MiFID II); or

  (B) communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by, a retail client (as defined in MiFID II). In selling or offering Notes or making or approving communications relating to the Notes, it may not rely on the limited exemptions set out in the PI Instrument; and

(iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client(s).

**Prohibition of sales to EEA retail investors –** The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For

these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusions that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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**IN CONNECTION WITH THE ISSUE OF THE NOTES, J.P. MORGAN SECURITIES PLC AS STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISATION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

## OVERVIEW OF THE NOTES

*The following description of key features of the Notes does not purport to be complete and is taken from, and qualified in its entirety by, the remainder of this Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Prospectus shall have the same meanings in this description of key features of the Notes. References to a numbered "Condition" shall be to the relevant Condition in the Terms and Conditions of the Notes.*

| | |
|---|---|
| Issuer: | Sydbank A/S |
| Risk Factors: | There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes. These are set out under "*Risk Factors*". |
| Notes: | €100,000,000 Perpetual Non-cumulative Resettable Additional Tier 1 Capital Notes. |
| Joint Lead Managers: | Danske Bank A/S<br>J.P. Morgan Securities plc |
| Issuing Agent and Principal Paying Agent: | The Bank of New York Mellon, London Branch |
| Issue Date: | 30th May, 2018. |
| First Call Date: | 28th August, 2025. |
| Maturity: | The Notes are perpetual securities and have no fixed date for redemption. The Issuer may only redeem the Notes at its discretion in the circumstances described herein. |
| Issue Price: | 100.00 per cent. |
| Status of the Notes: | The Notes (in Danish: *kapitalbeviser*) on issue will constitute Additional Tier 1 Capital (in Danish: *hybrid kernekapital*) of the Issuer and the Group under the CRD IV requirements.<br><br>Subject to Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes), the Notes will constitute direct, unconditional, unsecured and subordinated debt obligations of the Issuer, and shall at all times rank:<br><br>(i) *pari passu* without any preference among themselves;<br><br>(ii) *pari passu* with (a) the Existing Hybrid Tier 1 Capital Notes, (b) any obligations or capital instruments of the Issuer which constitute Additional Tier 1 Capital and (c) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;<br><br>(iii) senior to holders of the Ordinary Shares and any other obligations or capital instruments of the Issuer that rank or are expressed to rank |

junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and

(iv) junior to present or future claims of (a) depositors of the Issuer, (b) other unsubordinated creditors of the Issuer and (c) other subordinated creditors of the Issuer other than the present or future claims of creditors that rank or are expressed to rank *pari passu* with or junior to the Notes.

Interest and Interest Payment Dates: The Notes will bear interest on their Outstanding Principal Amounts, payable semi-annually in arrear on 28th February and 28th August in each year, at the relevant Rate of Interest. There will be a short first interest period. The first payment of interest will be made on 28th August, 2018 in respect of the period from (and including) the Issue Date to (but excluding) 28th August, 2018.

The Rate of Interest will reset on the First Call Date and on each Reset Date thereafter.

See Condition 5 (Interest and other Calculations).

Interest Cancellation: Any payment of interest (including, for the avoidance of doubt, any Additional Amounts payable pursuant to Condition 10) in respect of the Notes shall be payable only out of the Issuer's Distributable Items and:

(i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion, or

(ii) will be mandatorily cancelled, in whole or in part, to the extent:

(A) that, if the relevant payment were so made, the amount of such payment, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Danish law transposing or implementing Article 141(2) of the CRD IV Directive), or any other analogous provision thereto under the CRD IV requirements, would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital instruments relating to any applicable Maximum Distributable Amount; or

(B) otherwise so required by CRD IV, including the applicable criteria for Additional Tier 1 Capital instruments, or where the Relevant Regulator requires the Issuer to cancel the relevant payment in whole or in part.

See Condition 6 (Interest Cancellation).

Optional Redemption by the Issuer on the First Call Date or any Interest Payment Date thereafter: Subject to Condition 8.7 (Conditions to redemption etc), the Issuer may, at its option, redeem all (but not some only) of the outstanding Notes on the First Call Date or on any Interest Payment Date thereafter at their Outstanding Principal Amounts, together with accrued interest thereon insofar as it has not been cancelled.

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| | See Condition 8.3 (Redemption at the option of the Issuer). |
| Optional Redemption by the Issuer upon the Occurrence of a Special Event: | Subject to Condition 8.7 (Conditions to redemption etc), upon the occurrence of a Tax Event or a Capital Event (each, a **Special Event**), the Issuer may, at its option, at any time redeem all (but not some only) of the outstanding Notes at their Outstanding Principal Amounts, together with accrued interest thereon insofar as it has not been cancelled.<br><br>See Condition 8.2 (Early redemption upon the occurrence of a Special Event). |
| Substitution and variation: | Subject to Condition 8.7 (Conditions to redemption etc), (i) if a Special Event has occurred and is continuing or (ii) in order to ensure the effectiveness and enforceability of Condition 18.4, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Capital Notes.<br><br>See Condition 8.6 (Substitution and variation). |
| Loss absorption following a Trigger Event and reinstatement of the Notes: | If at any time the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group has fallen below 7.00 per cent., the Outstanding Principal Amounts shall be reduced (in whole or in part).<br><br>Following any such reduction of the Outstanding Principal Amounts, the Issuer may, at its discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met.<br><br>See Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes). |
| Negative Pledge: | None. |
| Cross Default: | None. |
| Enforcement Events: | There will be enforcement events relating only to the liquidation or bankruptcy of the Issuer, provided that a Noteholder may not itself file for the liquidation or bankruptcy of the Issuer.<br><br>See Condition 11 (Enforcement Events). |
| Taxation: | All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes imposed or levied by or on behalf of the Kingdom of Denmark, or any political sub-division of, or any authority in, or of, the Kingdom of Denmark having power to tax, unless such withholding or deduction of the Taxes is required by law. In such event, in the case of a payment of interest only, the Issuer will pay, save in certain limited circumstances provided in Condition 10 (Taxation), such Additional Amounts as shall be necessary in order that the net amounts received by the Couponholders after such withholding or deduction shall equal the amounts which would otherwise have been receivable in respect of the Coupons in the absence of such withholding or deduction.<br><br>See Condition 10 (Taxation). |

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| Meetings of Noteholders and Modifications: | The Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. Subject to Condition 8.7 (Conditions to redemption etc) (in the case of a modification of the Terms and Conditions of the Notes), these provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.<br><br>The Issuer may also, subject to Condition 8.7 (Conditions to redemption etc), make any modification to the Notes which is, in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders without the consent of the Noteholders. Any such modification shall be binding on the Noteholders.<br><br>See Condition 15 (Meetings of Noteholders; Modification). |
| Form of the Notes: | The Notes will be issued in bearer form and will initially be in the form of the Temporary Global Note, without Coupons, which will be deposited on or around the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg. Interests in the Temporary Global Note will be exchangeable for interests in the Permanent Global Note, without Coupons, on or after the Exchange Date, upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for Definitive Notes only in certain limited circumstances in accordance with the terms of the Permanent Global Note.<br><br>See "*Overview of Provisions relating to the Notes while in Global Form*" below. |
| Denominations: | The Notes will be issued in the denominations of €200,000 and integral multiples of €1,000 in excess thereof up to (and including) €399,000. |
| Listing and Admission to Trading: | Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the Notes to be admitted to trading on the Market, in each case with effect from, or from around, 31st May, 2018. |
| Governing Law: | The Notes, the Agency Agreement and the Deed of Covenant, and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law, save for the provisions of Condition 4 (Status of the Notes), Condition 6 (Interest Cancellation), Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes), Condition 8.2 (Early redemption upon the occurrence of a Special Event) and Condition 11 (Enforcement Events) which will be governed by, and construed in accordance with, the laws of the Kingdom of Denmark. |
| Enforcement of the Notes in Global Form: | In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant to be dated 30th May, 2018, a copy of which will be available for inspection at the specified office of the Principal Paying Agent. |
| Ratings: | The Notes are expected to be rated Ba1 by Moody's.<br><br>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the |

assigning rating agency.

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| Selling Restrictions: | There are restrictions on the transfer of the Notes prior to the expiration of the distribution compliance period, see "*Subscription and Sale*" below. For a description of additional restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom and Denmark, see "*Subscription and Sale*" below. |

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*The following is a general discussion of certain risks typically associated with the Issuer and the acquisition and ownership of the Notes. In particular, it does not consider an investor's specific knowledge and/or understanding about risks typically associated with the Issuer and the acquisition and ownership of the Notes, whether obtained through experience, training or otherwise, or the lack of such specific knowledge and/or understanding, or circumstances that may apply to a particular investor.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section, unless otherwise stated. References to a numbered "Condition" shall be to the relevant Condition in the Terms and Conditions of the Notes.*

### Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

The Issuer is regulated by the Danish Financial Supervisory Authority (the **DFSA**) which ensures a regulatory environment comparable to the regulatory environments of other Western European banks.

In connection with carrying out its business activities the Issuer is exposed to a variety of risks. The Issuer considers risk management as one of its core competencies and essential for prudent bank management. Risk management includes identifying and measuring risk as well as monitoring and reporting risk.

The Issuer is subject to Credit, Market, Liquidity, Operational and Reputation Risk which, if realised, may have an adverse impact on its results.

#### *Credit risk*

Credit risk is the risk that an exposure is deemed non-recoverable due to a debtor's lack of will or ability to repay at the agreed time. Exposures comprise loans and advances, guarantees and amounts owed by credit institutions.

Overall credit risk is managed according to policies and limits as determined and adopted by the Bank's Board of Directors and Executive Management. The credit department is responsible for monitoring credit risk, credit risk exposure and reporting to the Bank's Board of Directors and Executive Management.

To manage credit risks to retail and corporate clients the Group has developed rating models.

If the creditworthiness of a client is questioned and his ability to pay is deemed uncertain, the exposure will be classified as critical and the monitoring will be intensified.

In addition to individual impairment charges, the Bank adjusts total impairment charges annually on the basis of statistical calculations of the expected risk of loss. Individual impairment charges are made if an exposure is deemed to entail a risk of loss due to a customer's expected financial situation compared with the realisation value of security provided.

Trading in securities, currencies and derivatives, as well as payment services, involves exposure to financial counterparties in the form of delivery risk or credit risk. Delivery risk lines and credit risk lines to financial counterparties are based on the risk profile of the individual counterparty which is assessed in terms of rating, earnings, capital position and the size of the financial counterparty. Risks and lines to financial counterparties are monitored continuously.

The Issuer 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 Issuer's partner in the system.

The Issuer aims to mitigate credit risk to financial counterparties in many ways, for example by concluding netting agreements (ISDA agreements). Moreover, to ensure credit risk mitigation of derivatives, the Issuer has entered into credit support annex agreements (CSA agreements) with all significant counterparties. Exposures are calculated on a daily basis after which the parties settle collateral.

The Group aims to ensure a credit portfolio in conformity with sector averages, in terms of retail/ corporate distribution and industry distribution.

The Bank is continuously working to further develop the classification and rating models that are applied to evaluate and classify existing as well as new retail and corporate exposures.

Model development is based on the recommendations as regards design and application of internal credit risk models which have been submitted by the Basel Committee.

Notwithstanding the systems the Bank has put in place, there can be no assurance that the Bank will not suffer losses from credit risk in the future that may be material in amount.

***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 conditions, such as interest rate fluctuations in the financial markets, exchange rate fluctuations or equity price fluctuations, of which interest rate risk is the most prominent.

Market risk management is the responsibility of Sydbank Markets and Treasury, subject to the policies and limits determined and adopted by the Bank's Board of Directors. Market risk associated with trading and customer portfolios is managed by Sydbank Markets and the Bank's Controllers and Risk Management continuously monitor the individual risk areas and provide the Bank's General 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 the financial markets. Interest rate risk makes up the bulk of the Group's overall market risk.

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.

The interest rate risk is calculated in accordance with the method of calculation of the DFSA. The method 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. However, there can be no assurance that the Issuer will not suffer losses from interest rate risk in the future that may be material in amount.

### *Foreign exchange risk*

The Issuer does not assume major risk in the foreign exchange market for its own account and the Group's foreign exchange risk is therefore insignificant. However, there can be no assurance that the Issuer will not suffer losses from foreign exchange risk in the future that may be material in amount.

### *Equity risk*

The Group invests some of its assets in shares, which are generally subject to greater risk and volatility than bonds. The amounts invested in listed shares are relatively small. However, there can be no assurance that the Issuer will not suffer losses from equity risk in the future that may be material in amount.

### *Liquidity risk*

Liquidity risk comprises the risk that payment obligations cannot be honoured by means of the Group's cash resources or that the Bank's liquidity situation does not meet the statutory requirements.

Sydbank aims to maintain a balanced relationship between growth in its loan book and growth in deposits and a strong deposit base has always been the main funding source. The deposit base is primarily based on Danish funding and is therefore dependent on the overall economic development in Denmark. The short term funding is based on both Danish and foreign funding while the long term funding primarily is based on foreign investors. Based on this, Sydbank is to some extent dependent on having access to the international funding markets.

Moreover, liquidity is adjusted to the maturity profile of exposures to enable the Group to honour debt and guarantee exposures as they mature. In addition, the Board of Directors has set requirements concerning the Bank'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 a normal growth in loans and advances.

As a consequence of Sydbank's status as SIFI (as defined below), the Group has been required to meet the liquidity coverage requirements (the LCR) of 100 per cent. from 1st October, 2015, which the Group has done. The LCR is a short-term (30 days) idiosyncratic stress scenario

Notwithstanding the policies and protocols that the Bank has put in place, there can be no assurance that the Bank will not suffer losses from liquidity risk in the future that may be material in amount.

### *Operational risk*

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

For the purpose of monitoring the Bank's operational risk exposure to products and business lines, information of risk-related losses is collected on an ongoing and systematic basis. In line with the ideas of Basel III, loss data is ascribed to event type and business line. There can be no assurance that the Bank will not suffer losses from operational risks in the future that may be material in amount.

Notwithstanding anything in the risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

### *Reputation risk*

Reputation risk is the risk of losses due to external circumstances or events that could harm the Bank's reputation or earnings. Reputational risk is managed through policies and business procedures. However, there can be no assurance that the Issuer will not suffer losses from reputation risk in the future that may be material in amount.

*Downturn in economy*

Sydbank's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are dependent on customer confidence, employment trends, the state of the economy, the housing market and market interest rates at the time. As Sydbank currently conducts the majority of its business in Denmark, its performance is influenced by the level and cyclical nature of business activity in Denmark, which is in turn affected by both domestic and international economic and political events.

Notwithstanding that Sydbank believes it is well positioned to deal with a downturn in the economy, an increase in unemployment in Denmark or a reduction in the value of housing and other collateral provided to Sydbank would increase the losses to Sydbank and may be in a material amount.

*Impact of regulatory changes*

Sydbank is subject to financial services laws, regulations, administrative actions and policies in Denmark. Changes in supervision and regulation could materially affect Sydbank's business, the products and services offered or the value of its assets. Although Sydbank monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of Sydbank.

The final versions of the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the **CRR**) and the Directive of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the **CRD IV Directive**) were adopted in June 2013. The CRR entered into force on 1st January, 2014, whereas the CRD IV Directive was implemented in Denmark in March 2014. The framework implemented among other things the Basel Committee on Banking Supervision's proposed new standards for bank capital and liquidity requirements (**Basel III**) in the European Union. Each of the CRR and the CRD IV Directive covers a wide range of prudential requirements for banks across Member States, including capital requirements, stricter and aligned definitions of capital, risk-exposure amounts (**REA**), leverage ratio, large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual risk assessment) and other measures such as the combined capital buffer requirements, systemically important financial institutions (**SIFIs**), governance and remuneration requirements.

The European Banking Authority (**EBA**) will continue to propose detailed rules through binding technical standards, guidelines, recommendations and/or opinions in respect of many areas, including liquidity requirements and certain aspects of capital requirements. As a consequence, the Group is subject to the risk of possible interpretational changes. Given the uncertainty of the exact wording of the technical standards, they could potentially lead to a reduction in the regulatory capital or an increase in the REA of the Group. Furthermore, the CRD IV Directive contains rules which enable the competent authorities to increase capital requirements to previously unforeseen levels which potentially could limit the Group's ability to fulfil its present strategy, leading to lower than expected earnings and/or higher than expected REA.

Under the CRD IV Directive, institutions are required to hold a minimum amount of regulatory capital equal to 8 per cent. of REA (of which at least 4.5 per cent. must be Common Equity Tier 1 capital, and at least 6 per cent. must be Tier 1 capital). In addition to these so-called minimum own funds Pillar I requirements (the minimum own funds requirement), the CRD IV Directive (including, but not limited to, Article 128) also introduces capital buffer requirements in addition to the minimum own funds requirements, which must be met with Common Equity Tier 1 capital. For Sydbank, the capital buffer is comprised of three elements (referred to collectively as the **combined buffer requirement**): (i) the capital conservation buffer; (ii) the institution-specific countercyclical buffer; and (iii) the system risk buffer. Subject to applicable transitional provisions these capital buffers apply to the Issuer. The capital conservation buffer is to be fully implemented by 1st January, 2019 where a 2.5 per cent. requirement will apply to the Issuer. In 2018, a capital conservation buffer of 1.875 per cent. of the REA will apply to the Issuer. The countercyclical buffer is calculated as a weighted average of the countercyclical buffer rates that apply in the jurisdiction where the credit institution's credit exposures are located. In 2017, the countercyclical buffer rate for Danish credit exposure was set at 0 per cent. by the Danish Minister for Industry, Business and Financial Affairs. The countercyclical buffer rate for the first quarter of 2018 has been set at 0.5 per cent. with effect from 31st March, 2019.

In June 2014, the DFSA appointed Sydbank to be a Danish SIFI. In June 2015, June 2016 and June 2017, Sydbank was re-appointed as a SIFI. The systemic risk buffer will be gradually implemented in the period 2015 to 2019. Sydbank will be subject to a further buffer requirement of 0.8 per cent. as regards Common Equity Tier 1 capital as of 2018, which will rise to 1 per cent. in 2019. The intention is to bring Danish SIFI capital requirements on a par with the requirements in other comparable European countries.

In addition to the minimum own funds requirements described above, the CRD IV Directive (including, but not limited to, Article 104(1)(a)) contemplates that competent authorities may require additional Pillar II capital to be maintained by an institution relating to elements of risks which are not fully captured by the minimum own funds requirements (**additional own funds requirements**) or to address macro-prudential requirements.

The EBA published guidelines on 19th December, 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process (**SREP**) which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which was implemented by 1st January, 2016. Under these guidelines, national supervisors should set a composition requirement for the additional own funds requirements to cover certain risks of at least 56 per cent. Common Equity Tier 1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the combined buffer requirement is in addition to the minimum own funds requirement and to the additional own funds requirement. The SREP was implemented in Denmark with effect as of 1st January, 2016 by Executive Order no. 1587 of 3rd December, 2015 on Capital to Fulfil the Individual Solvency Requirement of Credit Institutions. According hereto institutions' additional own funds requirement shall be met with at least 56 per cent. Common Equity Tier 1 capital and at least 75 per cent. Tier 1 capital. The remaining 25 per cent. of the additional own funds requirement may be fulfilled with Common Equity Tier 1 capital, Additional Tier 1 capital (such as the Notes) or Tier 2 capital. Additional Tier 1 capital or Tier 2 capital instruments issued prior to 31st December, 2015 that until 31st December, 2015 were eligible to cover institutions' additional own funds requirements will be grandfathered until 31st December, 2021.

As set out in the "Opinion of the European Banking Authority on the interaction of Pillar I, Pillar II and combined buffer requirements and restrictions on distributions" published on 16th December, 2015 (the **December 2015 EBA Opinion**), in the EBA's opinion competent authorities should ensure that the Common Equity Tier 1 capital to be taken into account in determining the Common Equity Tier 1 capital available to meet the combined buffer requirement for the purposes of the Maximum Distributable Amount calculation is limited to the amount not used to meet the Pillar I and Pillar II own funds requirements of the institution. In addition, the December 2015 EBA Opinion advises the European Commission (i) to review Article 141 of the CRD IV Directive with a view to avoiding differing interpretations of Article 141(6) and ensure greater consistency between the Maximum Distributable Amount framework and the capital stacking order described in the opinion and in the EBA's SREP guidelines and (ii) to review the prohibition on distributions in all circumstances where an institution fails to meet the combined buffer requirement and no profits are made in any given year, notably insofar as it relates to Additional Tier 1 capital instruments (such as the Notes).

As at 31st December, 2017, the Issuer fulfilled its additional own funds requirement and its combined buffer requirement with a margin of respectively 9.3 percentage points and 7.9 percentage points.

There can be no assurance as to the relationship between any of the aforementioned or future incremental additional own funds requirements, the combined buffer requirement and the restrictions on discretionary payments, including as to the consequences for an institution of its capital levels falling below the combined buffer requirement, the additional own funds requirement and the minimum own funds requirement referred to above. There can also be no assurance as to the manner in which additional own funds requirements may be disclosed publicly in the future and under Danish law certain disclosure rules already apply. A Danish credit institution is required to disclose its additional own funds requirement either twice a year or each quarter. Furthermore, any additional own funds requirement laid down by the DFSA is required to be published on the website of the relevant credit institution.

The capital requirements applicable to the Issuer are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by

investors. Noteholders may not be able to predict accurately the proximity of the risk of discretionary payments (of interest and principal) on the Notes being prohibited from time to time as a result of the operation of Article 141 of the CRD IV Directive as implemented in Denmark. See also "*Cancellation of Interest*" below.

In addition, the CRR and the CRD IV Directive includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their Tier 1 capital, as a percentage of their total exposure measure. According to the CRR Amendment Proposal (as defined below) the leverage ratio requirement will be set at a level of minimum 3 per cent.. Until the adoption of the CRR Amendment Proposal (as defined below) the regulators may apply such measures as they consider appropriate. In Denmark the risk of excessive leverage is addressed under Pillar II.

On the 23rd November, 2016, the European Commission proposed a reform of the CRR and the CRD IV Directive by way of a proposal (COM(2016) 850) to amend the CRR (the **CRR Amendment Proposal**) and by way of a proposal (COM(2016) 852) to amend the CRD IV Directive (together with the CRR Amendment Proposal, the **CRR/CRD IV Amendment Proposal**). The CRR/CRD IV Amendment Proposal introduces, among other things, a leverage ratio requirement of 3 per cent. Tier 1 capital, a harmonised binding requirement for stable funding (the **Net Stable Funding Ratio** or **NSFR**), strengthening of the conditions for use of internal models and changes to the relevant regulator's application of the institution specific Pillar II capital add-ons (referred to above as the additional own funds requirements). At the date of this Prospectus it is still uncertain whether and if so, to what extent, the CRR/CRD IV Amendment Proposal will impose additional capital, liquidity and/or leverage requirements on the Group, which in turn may affect the Issuer's capacity to fulfil its obligations under the Notes.

On 7 December 2017, the Basel Committee agreed on a new regulatory framework containing, among other things, a number of changes to and restrictions for credit institutions using internal models (informally referred to as Basel IV).

The Basel IV framework includes a number of different requirements. The Issuer believes that the most important component for it is the introduction of a so-called capital floor requirement for credit institutions applying internal ratings-based risk models. The capital floor requirement entails that a credit institution will be subject to a minimum capital requirement across risk types (credit, market and operational risk) of 72.5 per cent. of the capital requirement calculated according to the standardised approach. According to the Basel IV framework, a minimum capital requirement of 50 per cent. will apply to the Issuer as early as 2022 and will gradually increase until fully implemented in 2027. The recommendations are expected to have a limited impact on the Group's capital.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements or combined buffer requirements applicable to the Group will not be amended in the future to include new and more onerous capital requirements, which in turn may affect the Issuer's capacity to make payments of interest on the Notes.

**Risks related to the structure of the Notes**

***The Issuer's obligations under the Notes are subordinated***

Subject to Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes), the Notes will constitute direct, unconditional, unsecured and subordinated debt obligations of the Issuer as described in Condition 4 (Status of the Notes).

The Issuer may issue other obligations or capital instruments that rank or are expressed to rank senior to the Notes or *pari passu* to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer. In the event of a liquidation or bankruptcy of the Issuer, the Issuer will be required to pay (i) its depositors, (ii) its other unsubordinated creditors and (iii) its other subordinated creditors other than the present or future claims of creditors that rank or are expressed to rank *pari passu* with or junior to the Notes in full before it can make any payments on the Notes. If this occurs, the Issuer may not have enough assets remaining after these payments are made to pay amounts due under the Notes. In addition, in the event of a liquidation or bankruptcy of the Issuer, to the extent the Issuer has assets remaining after paying its creditors who rank senior to the Notes, payments relating to other obligations or capital

instruments of the Issuer that rank or are expressed to rank *pari passu* with the Notes may, if there are insufficient assets to satisfy the claims of all of the Issuer's *pari passu* creditors, further reduce the assets available to pay amounts due under the Notes on a liquidation or bankruptcy of the Issuer.

Although the Notes may pay a higher rate of interest than securities which are not, or not as deeply, subordinated, there is a real risk that an investor in deeply subordinated securities such as the Notes will lose all or some of its investment on a liquidation or bankruptcy of the Issuer.

***Loss absorption following a Trigger Event***

The Notes are being issued for regulatory capital adequacy purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Issuer and the Group. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Terms and Conditions of the Notes and which, in particular, require the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer and/or the Group.

Accordingly, if at any time the Common Equity Tier 1 Capital Ratio of the Issuer and the Group has fallen below the Trigger Event Threshold, the Outstanding Principal Amounts shall be reduced as described below and in Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes). Therefore, any indication or perceived indication that the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group is trending towards the Trigger Event Threshold may have an adverse impact on the market price of the Notes.

Noteholders may lose all or some of their investment as a result of such a reduction to the Outstanding Principal Amounts. In the case of any such reduction to the Outstanding Principal Amounts, in compliance with the CRD IV and BRRD requirements and subject to the Loss Absorption Minimum Amount, the amount of the relevant reduction to the Outstanding Principal Amounts on the Write Down Date will be equal to the amount of a reduction to the Outstanding Principal Amounts on the Write Down Date that would restore the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group, as applicable, to at least the Trigger Event Threshold at the point of such reduction, taking into account the amount of Common Equity Tier 1 Capital (if any) of the Issuer and/or the Group, as the case may be, generated on or prior to the Write Down Date by the *pro rata* reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the principal amount of all Other Loss Absorbing AT1 Instruments (if any) outstanding at such time. For the avoidance of doubt, the Existing Hybrid Tier 1 Capital Notes do not constitute Other Loss Absorbing Instruments.

It is possible that, following a material decrease in the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group, a Trigger Event could occur simultaneously with a trigger event in relation to one or more Other Loss Absorbing AT1 Instruments having, as the case may be, (i) a higher, (ii) an identical or (iii) a lower trigger level than the Trigger Event Threshold in respect of the Notes. In such circumstances, investors should note that, with respect to each such Other Loss Absorbing AT1 Instrument (if any), Condition 7.1 (Loss Absorption Following a Trigger Event) provides that the *pro rata* reduction or, as the case may be, conversion shall only be taken into account as described above to the extent required to restore the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group, as applicable, to the Trigger Event Threshold or, if lower, such Other Loss Absorbing AT1 Instrument's trigger level. Once the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group, as applicable, has been restored to at least the Trigger Event Threshold at the point of the relevant reduction, the Issuer expects that any additional amounts of Common Equity Tier 1 Capital which are required to cure a trigger event in relation to any Other Loss Absorbing AT1 Instruments with a higher trigger level (**Higher Trigger Other Loss Absorbing AT1 Instruments**) than the Trigger Event Threshold will only be generated by the further reduction to, or, as the case may be, further conversion into Common Equity Tier 1 Capital instruments of, the principal amount of such Higher Trigger Other Loss Absorbing AT1 Instruments, in each case in accordance with the terms of such Higher Trigger Other Loss Absorbing AT1 Instruments and the CRD IV requirements.

Investors should also note that, if the Issuer issues any Full Loss Absorbing AT1 Instruments, the Issuer expects that such Full Loss Absorbing AT1 Instruments shall be treated for the purposes of determining the relevant *pro rata* amounts to be taken into account as described above and in Condition 7.1 (Loss Absorption Following a Trigger Event) as if their terms permitted partial reduction or, as the case may be, partial conversion into Common Equity Tier 1 Capital instruments.

In addition, investors should note that Condition 7.1 (Loss Absorption Following a Trigger Event) provides that, to the extent the reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the principal amount of any Other Loss Absorbing AT1 Instrument is not, or by the Write Down Date will not be, effective for any reason:

(A) the ineffectiveness of any such reduction or, as the case may be, conversion into Common Equity Tier 1 Capital instruments shall not prejudice the requirement to effect a reduction to the Outstanding Principal Amounts pursuant to in Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes); and

(B) the reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the principal amount of any Other Loss Absorbing AT1 Instrument which is not, or by the Write Down Date will not be, effective shall not be taken into account in determining the reduction of the Outstanding Principal Amounts pursuant to Condition 7.1 (Loss Absorption Following a Trigger Event).

Therefore (i) the reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the principal amount of any Other Loss Absorbing AT1 Instruments is not a condition to a reduction of the Outstanding Principal Amounts and (ii) as a result of any failure to reduce or, as the case may be, convert into Common Equity Tier 1 Capital instruments the principal amount of any Other Loss Absorbing AT1 Instruments, the amount of the reduction to the Outstanding Principal Amounts may therefore be higher than expected.

As any such reduction to the Outstanding Principal Amounts is subject to compliance with the CRD IV and BRRD requirements, the reduction provisions described above and in Condition 7.1 (Loss Absorption Following a Trigger Event) are subject to, and will be interpreted in light of, any applicable changes to any such requirements. Notwithstanding any of the provisions relating to a reduction of the Notes as described above, no assurance can be given that the Issuer will not determine that the CRD IV requirements require a reduction to the Outstanding Principal Amounts to be calculated and determined in a different manner than as described above and in Condition 7.1 (Loss Absorption Following a Trigger Event). Investors should note that, in the case of any such reduction to the Outstanding Principal Amounts pursuant to Condition 7.1 (Loss Absorption Following a Trigger Event), the Issuer's determination of the relevant amount of such reduction shall be binding on all parties.

Any such reduction of the Outstanding Principal Amounts shall not constitute an event of default under the terms of the Notes and, following such reduction, Noteholders' claims in respect of principal will, in all cases, be based on the reduced Outstanding Principal Amounts to the extent the Outstanding Principal Amounts have not subsequently been reinstated as described in Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes).

In addition, following a reduction of the Outstanding Principal Amounts as described above, interest can only continue to accrue on the Outstanding Principal Amounts following such reduction, which will be lower than the Original Principal Amount of the Notes.

Following any such reduction, the Issuer will not in any circumstances be obliged to reinstate the Outstanding Principal Amounts, but any reinstatement must be undertaken, subject to compliance with CRD IV requirements and the Reinstatement Limit described in Condition 7.2 (Reinstatement of the Notes), on a *pro rata* basis with all other Parity Trigger Loss Absorbing AT1 Instruments (if any) which would, following such reinstatement, constitute Additional Tier 1 Capital and feature similar reinstatement provisions. For the avoidance of doubt, Existing Hybrid Tier 1 Capital Notes do not constitute Parity Trigger Loss Absorbing Instruments. Investors should note that, while the Terms and Conditions of the Notes provide for a *pro rata* reinstatement as described in the preceding sentence, there is no guarantee (including as regards the timing of the relevant reinstatement) how a reinstatement of the Outstanding Principal Amounts would be conducted when compared to any proposed reinstatement of any obligations or capital instruments of the Issuer (i) with a similar principal loss absorption mechanism but with a higher or lower trigger level compared to the Trigger Event Threshold and (ii) which include similar reinstatement provisions.

Investors should note that, while such a reduction is not common, it is an appreciable risk and is not limited to the liquidation or bankruptcy of the Issuer.

***Resolution tools and powers under the BRRD***

On 15th May, 2014, the European Parliament and the Council of the European Union adopted a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **BRRD**). The BRRD, including the general bail-in tool and MREL has been implemented into Danish law with effect as of 1st June, 2015 by Consolidated Act No. 333 of 31st March, 2015 on Restructuring and Resolution of Certain Financial Undertakings as amended from time to time (the **Danish Recovery and Resolution Act**) and by amendments to the Danish Financial Business Act.

The BRRD is designed to provide authorities designated by Member States with a credible set of tools to intervene sufficiently early and quickly in relation to unsound or failing credit institutions, investment firms, certain financial institutions and certain holding companies (each, a **relevant entity**) to ensure the continuity of the relevant entity's critical financial and economic functions while minimising the impact of a relevant entity's failure on the economy and financial system.

The BRRD contains various resolution powers which may be used alone or in combination where the relevant resolution authority considers that (a) a relevant entity is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity within a reasonable timeframe, and (c) a resolution action is in the public interest. The relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the relevant entity's creditors: (i) sale of business – which enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the relevant entity to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the relevant entity to meet its repayment obligations; (iii) asset separation – which enables resolution authorities to transfer assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity (the write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims (including the Notes) to equity or other instruments of ownership (the **general bail-in tool**). The converted equity or other instruments could also be subject to any future application of the general bail-in tool.

As a last resort, and after having assessed and applied the above resolution tools to the maximum extent possible whilst maintaining financial stability, the BRRD also provides a Member State the ability to provide extraordinary public financial support through additional financial stabilisation tools. These consist of public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

A relevant entity will be considered as failing or likely to fail when either: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity, capital instruments (such as the Notes), at the point of non-viability and before any other resolution action is taken (**non-viability loss absorption**). Any shares issued to Noteholders upon any such conversion into equity may also be subject to any application of the general bail-in tool and/or the other resolution powers outlined above. Resolution authorities are required to implement non-viability loss absorption ahead of, or simultaneously with, any resolution action.

Any application of the general bail-in tool and non-viability loss absorption under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings. Accordingly, the impact of such application on Noteholders will depend on their ranking in accordance with such hierarchy, including any priority given to other creditors such as depositors.

To the extent any resulting treatment of Noteholders pursuant to the exercise of any resolution tool is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a Noteholder has a right to compensation under the BRRD based on an independent valuation of the firm (which is referred to as the "no creditor worse off" principle under the BRRD). Any such compensation is unlikely to compensate that holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the Notes.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which (i) the relevant authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or (ii) the relevant authority or authorities, as the case may be, determine(s) that the relevant entity or its group will no longer be viable unless the relevant capital instruments (such as the Notes) are written-down or converted or (iii) extraordinary public financial support is required by the relevant entity or its group other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the economy of an EEA member state and to preserve financial stability.

The BRRD (and thereby also the Danish Recovery and Resolution Act) also provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation) the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

With the implementation of the BRRD, European banks are required to have bail in-able resources in order to fulfil the Minimum Requirement for own funds and Eligible Liabilities (**MREL**). There is no minimum EU-wide level of MREL – each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. The DFSA on 23rd March, 2018 set the MREL requirement for Sydbank to 12.4 per cent. of Sydbank's total liabilities and own funds, corresponding to twice its total capital requirement (solvency need plus the combined buffer requirement). This is in accordance with a fact sheet published by the DFSA on 23rd March, 2018 regarding the principles for the MREL requirement for Danish SIFI banks. The MREL requirement set for Sydbank, which corresponds to 27.3 per cent. of Sydbank's REA, must be complied with as of 1st July, 2019. The MREL requirement must be met with own fund instruments and debt instruments which in resolution and bankruptcy can be written down and converted before unsubordinated claims and otherwise fulfil the requirements for eligible liabilities. Debt instruments issued before 1st January, 2018 which in resolution and bankruptcy cannot be written down and converted before unsubordinated claims, but that otherwise fulfil the requirements for eligible liabilities, can be used to fulfil the MREL requirement until 1st January, 2022. The MREL requirement will be set annually on the basis of the entity's annual update of its individual resolution plan and it is the DFSA, following consultation with Finansiel Stabilitet, which sets the MREL requirement for each relevant entity. If an institution does not fulfil the MREL requirement, the relevant authority may withdraw its banking licence. Also, a comparable concept for loss absorption, Total Loss Absorbing Capacity (**TLAC**) has been set for G-SIIs. The TLAC requirement takes effect from 2019. The implementation of a TLAC requirement for G-SIIs in the EU could influence the implementation of MREL and therefore could impact the required MREL for the Issuer.

The powers set out in the already adopted BRRD will impact how credit institutions and investment firms are managed, as well as, in certain circumstances, the rights of creditors. The BRRD outlines the priority ranking of certain deposits in an insolvency hierarchy, which required changes to the insolvency hierarchy in Denmark. The BRRD establishes a preference in the ordinary insolvency hierarchy, firstly for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in the EEA or non-EEA branches of an EEA bank. These preferred deposits rank ahead of all other unsecured senior creditors of the Issuer in the insolvency hierarchy. Furthermore, the insolvency hierarchy could be changed in the future.

The exercise of any power under the BRRD and/or the Danish Recovery and Resolution Act and/or the Danish Financial Business Act and/or non-viability loss absorption and/or statutory loss absorption powers, or any suggestion of such exercise, could have a material adverse effect on the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. Although

the BRRD, as implemented, contains certain limited safeguards for creditors in specific circumstances, including in the case of senior creditors a safeguard that aims to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings, there can be no assurance that these safeguards will be effective if such powers are exercised. The determination that any power under the BRRD shall be exercised or that all or a part of the principal amount of the Notes will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control. The application of the general bail-in tool with respect to the Notes may result in the write-down or cancellation of all, or a portion of, the principal amount of, or outstanding amount payable in respect of, and/or interest on, the Notes and/or the conversion of all, or a portion, of the principal amount of, or outstanding amount payable in respect of, or interest on, the Notes into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to such application of the general bail-in tool. Accordingly, potential investors in the Notes should consider the risk that the general bail-in tool may be applied in such a manner as to result in Noteholders losing all or a part of the value of their investment in the Notes or receiving a different security than the Notes, which may be worth significantly less than the Notes and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the relevant resolution authority may exercise its authority to apply the general bail-in tool without providing any advance notice to the Noteholders.

On 23rd November, 2016, the European Commission, together with the CRD IV Amendment Proposal, proposed a reform of the BRRD by way of two proposals (COM(2016) 852 and COM(2016) 853) to amend the BRRD (together the **BRRD Amendment Proposal**). The BRRD Amendment Proposal includes, among other things, the introduction of a higher MREL requirement to take form as MREL guidance. Consistent and repeated breaches of the MREL guidance may result in the MREL guidance being converted into a MREL requirement. In addition, if the institution cannot replace liabilities that cease to meet the MREL eligibility criteria, the institution's Common Equity Tier 1 capital will be used to comply with the MREL requirement to extinguish a resultant shortfall in eligible liabilities. This could entail that the institution would not be able to meet its combined buffer requirement. At the date of this Prospectus it is still uncertain whether and if so, to what extent, the proposed amendments will impose additional capital requirements on the Issuer, which in turn may affect the Issuer's capacity to fulfil its obligations under the Notes.

***Depositor preference***

As part of the reforms required by the BRRD, amendments have been made to relevant legislation in Denmark to establish a preference in the insolvency hierarchy for certain deposits that are eligible for protection by the Danish Deposit Guarantee Scheme and the uninsured element of such deposits and, in certain circumstances, deposits made in non-EEA branches. In addition, the Danish implementation of the Revised Deposit Guarantee Scheme increased the nature and quantum of insured deposits to cover a wide range of deposits, including certain corporate deposits (unless the depositor is a public sector body or financial institution) and some temporary high value deposits. The effect of these changes is to increase the size of the class of preferred creditors. All such preferred deposits will rank in the insolvency hierarchy ahead of all other unsecured creditors of the Issuer, including the Noteholders. Furthermore, insured deposits are excluded from the scope of the general bail-in tool. As a result, if the general bail-in tool were exercised by the relevant resolution authority, the Notes would be more likely to be bailed-in than certain other unsubordinated liabilities of the Issuer such as other preferred deposits.

***No scheduled redemption***

The Notes are perpetual securities and have no fixed date for redemption. The Issuer is under no obligation to redeem the Notes at any time (except as provided in Condition 8 (Redemption and Purchase) and, in any such case, subject always to Condition 8.7 (Conditions to redemption etc)). There will be no redemption at the option of the Noteholders in any circumstances. Therefore, prospective investors in the Notes should be aware that they will be required to bear the financial risks associated with an investment in long term securities.

***Cancellation of Interest***

Subject as provided in Condition 6 (Interest Cancellation), any payment of interest in respect of the Notes shall be payable only out of the Issuer's Distributable Items and:

(i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion; or

(ii) will be mandatorily cancelled, in whole or in part, to the extent:

(A) that, if the relevant payment were so made, the amount of such payment, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Danish law transposing or implementing Article 141(2) of the CRD IV Directive), or any other analogous position thereto under the CRD IV requirements, would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital instruments relating to any applicable Maximum Distributable Amount; or

(B) otherwise so required by CRD IV, including the applicable criteria for Additional Tier 1 Capital instruments, or where the Relevant Regulator requires the Issuer to cancel the relevant payment in whole or in part.

*The CRD IV requirements currently provide that discretionary payments in respect of certain capital instruments (including payments of interest on the Notes, which would include, for the avoidance of doubt, any Additional Amounts in respect of interest which may be payable under Condition 10 (Taxation)) will be required to be cancelled, in whole or in part, to the extent that:*

(i) the Issuer's Distributable Items are insufficient to make the relevant payment(s); or

(ii) the combined buffer requirement is not met and, if the relevant payment(s) were made, the amount of such payment(s) would exceed the Maximum Distributable Amount. See further the risk factor "*Impact of regulatory changes*" above.

The Issuer also expects to cancel any such discretionary payment to the extent that the CRD IV prescribes and/or, as the case may be, the Relevant Regulator requires that the relevant payment(s) shall be cancelled.

The Issuer's Distributable Items will depend to a large extent on the net income earned by the Issuer. The determination of the Maximum Distributable Amount is subject to some uncertainty. Under Article 141 of the CRD IV Directive, EU Member States must require that institutions that fail to meet the combined buffer requirement (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution), the systemic risk buffer, the global systemically important institutions buffer and, in general, the other systemically important institution buffer, in each case as applicable to the institution) will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as distributions in connection with Common Equity Tier 1 Capital, payments on Additional Tier 1 Capital instruments and, under certain conditions, payments of variable remuneration). The restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the most recent decision on the distribution of profits or discretionary payment. Such calculation will result in a "maximum distributable amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the discretion to cancel (in whole or in part) interest payments in respect of the Notes. Moreover in the event that the combined buffer requirement is no longer met by the credit institution it will be required to submit a capital conservation plan to the Relevant Regulator and if the capital conservation plan is not approved by the Relevant Regulator more stringent restrictions on distributions, than those required subject to Article 141 of the CRD IV Directive, can be imposed on the credit institution. Further, there can be no assurance that any of the combined buffer requirements applicable to the Issuer and/or the Group will not be increased in the future, which may exacerbate the risk that discretionary payments, including payments of interest on the Notes, are cancelled. See further the risk factor "*Impact of regulatory changes*" above.

As discussed above, the Issuer is entitled to cancel payments of interest in its sole discretion and it is permitted to do so even if it could make such payments without exceeding the limits described in the paragraph immediately above. Notwithstanding the above expectations, payments of interest on the Notes may be cancelled even if (i)

holders of the Issuer's shares continue to receive dividends and/or (ii) Existing Hybrid Tier 1 Capital Notes (if any) remain outstanding and holders of those Existing Hybrid Tier 1 Capital Notes continue to receive interest payments. It is the Issuer's current intention that, whenever exercising its discretion to propose any dividend in respect of the Issuer's shares, or the payment of interest to holders of outstanding Existing Hybrid Tier 1 Capital Notes (if any) or its discretion to cancel payments of interest on the Notes, the Issuer will take into account the relative ranking of these instruments in its capital structure. However, the Issuer may at any time depart from this policy at its sole discretion.

Following any cancellation of interest as described above, the right of Noteholders to receive accrued interest in respect of the relevant Interest Period will terminate and the Issuer will have no further obligation to pay such interest or to pay interest thereon, whether or not payments of interest in respect of subsequent Interest Periods are made, and such unpaid interest will not be deemed to have "accrued" or been earned for any purpose nor will the non-payment of such interest constitute an event of default under the Notes.

Any actual or anticipated cancellation of interest payments will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provision of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the financial condition of the Issuer and/or the Group. Noteholders should be aware that any announcement relating to the future cancellation of interest payments or any actual cancellation of interest payments may have an adverse effect on the market price of the Notes. Noteholders may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, Noteholders may lose some or substantially all of their investment in the Notes.

***Any failure by the Issuer and/or the Group to comply with its MREL requirement could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Issuer, including the payment of interest on the Notes***

As outlined in the risk factor "*Resolution tools and powers under the BRRD*" above, the regulatory framework around the MREL requirement is subject to the BRRD Amendment Proposal, the provisions and implementation of which remain uncertain. If the BRRD Amendment Proposal is adopted in its current form, a failure by the Issuer and/or the Group to comply with the MREL requirement means the Issuer could become subject to the restrictions on payments on Additional Tier 1 Capital instruments, including the Notes (subject to a potential six-month grace period in case specific conditions are met). Any actual or anticipated failure by the Issuer and/or the Group to comply with the MREL requirement will likely have an adverse effect on the market price of the Notes. Noteholders may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, Noteholders may lose some or substantially all of their investment in the Notes.

**Notes subject to optional redemption by the Issuer on certain call dates or upon the occurrence of a Special Event**

Subject as provided herein, in particular to Condition 8.7 (Conditions to redemption etc), the Issuer may, at its option, redeem all, but not some only, of the Notes on the First Call Date or on any Interest Payment Date thereafter at their Outstanding Principal Amounts, together with accrued interest thereon insofar as it has not been cancelled. Subject as aforesaid, upon the occurrence of a Special Event, the Issuer may also, at its option, at any time redeem all, but not some only, of the outstanding Notes at their Outstanding Principal Amounts, together with accrued interest thereon insofar as it has not been cancelled.

Noteholders should note that the Issuer may redeem the Notes as described in the previous paragraph even if (i) the Outstanding Principal Amounts have been so reduced and (ii) the principal amount of the Notes has not been fully reinstated to the original principal amount of the Notes.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem or is perceived to be likely to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may elect to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Substitution and variation of the Notes without Noteholder consent***

Subject to Condition 8.7 (Conditions to redemption etc), (i) if a Special Event has occurred and is continuing or (ii) in order to ensure the effectiveness and enforceability of Condition 18.4, the Issuer may, at its option, and without the consent or approval of the Noteholders, elect either (i) to substitute all (but not some only) of the Notes or (ii) to vary the terms of all (but not some only) of the Notes, so that they become or remain Qualifying Capital Notes.

Qualifying Capital Notes are securities issued or guaranteed by the Issuer that have, *inter alia*, other than in respect of the effectiveness and enforceability of Condition 18.4, terms not materially less favorable to the Noteholders (as a class) than the terms of the Notes (provided that the Issuer shall have delivered a certificate to that effect signed by two of its Directors to the Principal Paying Agent). See Condition 8.6 (Substitution and variation). There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Capital Notes will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Capital Notes are not materially less favourable to Noteholders than the terms of the Notes. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

***No events of default and limited enforcement rights available to Noteholders***

The terms of the Notes do not provide for any events of default. Noteholders may not at any time demand repayment or redemption of their Notes, and enforcement rights for any payment are limited to the claim of Noteholders in a liquidation or bankruptcy of the Issuer. In a liquidation or bankruptcy of the Issuer, a Noteholder may prove or claim in such proceedings in respect of such Note, such claim being for payment of the Outstanding Principal Amount of such Note at the time of commencement of such liquidation or bankruptcy together with any interest accrued and unpaid on such Note (to the extent that the same is not cancelled in accordance with the terms of the Notes) from (and including) the Interest Payment Date immediately preceding commencement of such liquidation or bankruptcy and any other amounts payable on such Note under the Terms and Conditions of the Notes.

According to Section 17(2) of Consolidated Act No. 11 of 6th January, 2014, as amended or replaced from time to time (the **Danish Bankruptcy Act**) (in Danish: *konkursloven*), a debtor is insolvent, if it cannot meet its obligations as and when they fall due, unless the inability to meet such obligations may be considered to be temporary. However, according to Section 234(2) of the Danish Financial Business Act, notwithstanding Section 17(2) of the Danish Bankruptcy Act, if the Issuer cannot meet its obligations regarding capital raised as Additional Tier 1 Capital, which as of the date hereof will include the Notes, the Issuer is not considered insolvent. Therefore, even if the Issuer cannot meet its obligations regarding capital raised as Additional Tier 1 Capital, the Issuer will not be considered insolvent. Accordingly, a Noteholder may not itself file for the liquidation or bankruptcy of the Issuer.

If proceedings with respect to the liquidation or bankruptcy of the Issuer should occur, the Noteholders would be required to pursue their claims on the Notes in proceedings with respect to the Issuer in Denmark. In addition, to the extent that the holders are entitled to any recovery with respect to the Notes in any such Danish bankruptcy proceedings, such holders would be entitled to a recovery in Danish Kroner or, as the case may be, other currencies, which would be based on the relevant conversion rate in effect on the date the Issuer entered into such liquidation or bankruptcy proceedings.

***The market price and liquidity of the Notes may be volatile and will be affected by a number of factors, many of which may be outside the Issuer's control***

The market price and liquidity of the Notes is expected to be affected by fluctuations in the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group is trending towards 7.00 per cent. may have an adverse effect on the market price and liquidity of the Notes. The level of the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group may significantly affect the trading price of the Notes.

The occurrence of a Trigger Event and, therefore a write-down of the Original Principal Amounts, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. Because the Relevant Regulator may require the Common Equity Tier 1 Capital Ratios to be calculated as of any date, a Trigger Event could occur at any time. The calculation of the Common Equity Tier 1 Capital Ratios of the Issuer and/or the Group could be affected by a wide range of factors, including, among other things, factors affecting the level of the Issuer's and/or the Group's earnings or dividend payments, the mix of businesses, the ability to effectively manage the risk exposure amounts in both the ongoing businesses and those the Issuer and/or the Group may seek to exit, losses in commercial banking, investment banking or other businesses, changes in the Group's structure or organisation, or any of the factors described in "*Description of the Sydbank Group*". The calculation of the ratios also may be affected by changes in applicable accounting rules and the manner in which accounting policies are applied, including the manner in which permitted discretion is under the applicable accounting rules is exercised.

Due to the uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, the Notes may be written down. In addition, it is difficult to predict whether any payment of interest in respect of the Notes will be cancelled pursuant to the Terms and Conditions of the Notes. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group is approaching the level that would trigger a Trigger Event or that the Maximum Distributable Amount may have been, or is likely to be, exceeded may have an adverse effect on the market price and liquidity of the Notes. The level of the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group may significantly affect the trading price of the Notes. Under such circumstances, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to more conventional investments.

***Uncertainties remain regarding the manner in which CRD IV will be interpreted***

The defined terms in the Terms and Conditions of the Notes will depend in some cases on the final interpretation of CRD IV. CRD IV is a recently-adopted set of rules and regulations that imposes a series of new requirements, many of which will be phased in over a number of years. Certain portions of the CRD IV Directive required transposition into Danish law, and although the CRR will be directly applicable in each Member State, the CRR leaves a number of important interpretational issues to be resolved through binding technical standards that have been adopted, and will be adopted in the future, and leaves certain other matters to the discretion of the Relevant Regulator. The manner in which the framework and requirements under CRD IV (including the provisions of the CRR/CRD IV Amendment Proposal) will be applied to the Issuer and the Group remains uncertain to a degree.

The determination of the Maximum Distributable Amount is particularly complex. The Maximum Distributable Amount imposes a cap on the Issuer's ability to pay interest on the Notes, and on the Issuer's ability to reinstate the principal amounts of the Notes following a reduction upon the occurrence of a Trigger Event.

***The Rate of Interest will reset on the First Call Date and on each Reset Date thereafter and could affect the market value of an investment in the Notes***

The Rate of Interest will reset on the First Call Date and on each Reset Date thereafter and could affect the market value of an investment in the Notes. Such reset Rate of Interest could be less than the Initial Rate of Interest and/or, as applicable, less than the Rate of Interest determined on any previous Reset Date, and could accordingly affect the market value of an investment in the Notes.

*Future discontinuance of EURIBOR may adversely affect the value of the Notes*

On 27th July, 2017, the Chief Executive of the FCA, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. Whilst the announcement related to LIBOR, similar concerns may be applicable to EURIBOR. It is not possible to predict whether, and to what extent, banks will continue to provide EURIBOR submissions to the administrator of EURIBOR going forwards.

The ECB and other European authorities have discussed proposals for alternative benchmarks. For example, the ECB announced plans for a new overnight rate for interbank unsecured lending among Euro-area banks in September 2017. The impact of such an overnight rate on six-month EURIBOR is currently unclear.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Notes for the period from (and including) the First Call Date is based on a reset mid-swap rate and will be determined for each relevant Reset Interest Period by the fall-back provisions applicable to the Notes. This may in certain circumstances result in the effective application of a fixed rate based on the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period, as provided in the definition of Reset Reference Bank Rate. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on the Notes.

*No right of set-off or counterclaim*

As provided in the Terms and Conditions of the Notes and as a general principle of Danish law, no Noteholder, who shall in the event of the liquidation or bankruptcy of the Issuer be indebted to the Issuer, shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Notes held by such Noteholder.

**Risks related to the Notes generally**

*Because the Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Issuer*

The Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Notes, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Notes are in global form, the Issuer will discharge its payment obligations under the Notes by making payments to a common depositary. A holder of a beneficial interest in a Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in such a Global Note.

*Meetings of Noteholders and modification*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Any modification of the Terms and Conditions of the Notes pursuant to the operation of such provisions is subject to Condition 8.7 (Conditions to redemption etc).

In addition, the Issuer may, subject to Condition 8.7 (Conditions to redemption etc), make any modification to the Notes, the Terms and Conditions of the Notes, the Agency Agreement and/or the Deed of Covenant which is not prejudicial to the interests of the Noteholders without the consent of the Noteholders. Any such modification shall be binding on the Noteholders.

### *Credit ratings*

The Notes are expected to be rated Ba1 by Moody's. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be reduced, suspended or withdrawn by the rating agency at any time.

In addition, rating agencies other than Moody's may assign unsolicited ratings to the Notes. In such circumstances there can be no assurance that the unsolicited rating(s) will not be lower than the comparable ratings assigned to the Notes by Moody's, which could adversely affect the market value and liquidity of the Notes.

The Issuer's credit ratings are important to its business. There can be no assurance that Moody's or any other relevant rating agency will not downgrade the ratings of the Issuer or the ratings of the Issuer's debt instruments (including the Notes) either as a result of the financial position of the Group or changes to applicable rating methodologies used by Moody's or any other relevant rating agency. A rating agency's evaluation of the Issuer may also be based on a number of factors not entirely within the control of the Issuer, such as conditions affecting the financial services industry generally. Any reduction in the Issuer's credit ratings or the ratings of its debt instruments, including any unsolicited credit rating, could adversely affect its liquidity and competitive position, undermine confidence in the Issuer and the Group, increase its borrowing costs, limit its access to the capital markets, or limit the range of counterparties willing to enter into transactions with the Issuer and the Group. Such development could have a material adverse effect on the Issuer and the Group's business, financial situation, results of operations, liquidity and/or prospects.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances whilst the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

### *Change of law*

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus, save for the provisions of Condition 4 (Status of the Notes), Condition 6 (Interest Cancellation), Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes), Condition 8.2 (Early redemption upon the occurrence of a Special Event), and Condition 11 (Enforcement Events) which will be governed by and construed in accordance with the laws of the Kingdom of Denmark. No assurance can be given as to the impact of any possible judicial decision or change to English, Danish or other applicable laws, regulations or administrative practice after the date of this Prospectus.

### *Notes where denominations involve integral multiples: Definitive Notes*

The Notes have denominations consisting of a minimum denomination of €200,000 and integral multiples of €1,000 in excess thereof up to and including €399,000. It is possible that the Notes may be traded in amounts that are not integral multiples of €200,000. In such a case a Noteholder who, as a result of trading such amount, holds an amount which is less than €200,000 in its account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of the Notes such that its holding amounts to €200,000.

If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of €200,000 may be illiquid and difficult to trade.

### *Limitation on gross-up obligation under the Notes*

The Issuer's obligation to pay Additional Amounts in respect of any withholding or deduction in respect of taxes under the terms of the Notes applies only to payments of interest due and paid under the Notes and not to payments of principal. As such, the Issuer would not be required to pay any Additional Amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders may receive less than the full amount due under the Notes, and the market value of the Notes may be adversely affected.

## Risks related to the market generally

### *The secondary market generally*

The Notes may have no established trading market when issued, and one may never develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If a market does develop, it may not be very liquid and any liquidity in such market could be significantly affected by any purchase and cancellation of the Notes by the Issuer or any of its Subsidiaries as provided in Condition 8. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Illiquidity may have an adverse effect on the market value of the Notes.

### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the FCA shall be incorporated in, and form part of, this Prospectus:

(i) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31st December, 2017 as set out on pages 112-115 and pages 41-109, respectively, of the Issuer's 2017 Annual Report, which include, *inter alia*, the following information:

a. Consolidated Balance Sheet (page 43);

b. Issuer's Balance Sheet (page 43);

c. Consolidated Income Statement (page 42) and Consolidated Statement of Comprehensive Income (page 42); and

d. Accounting Policies and Notes (pages 47-109);

(ii) the following sections (or, as applicable, pages of sections) of the Issuer's 2017 Annual Report:

a. Group Financial Highlights (page 8);

b. Results for 2017 and Total credit intermediation (page 10); and

c. Performance in 2017 (pages 16, 18 and 19);

(iii) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31st December, 2016 as set out on pages 112-115 and pages 41-109, respectively, of the Issuer's 2016 Annual Report, which include, *inter alia*, the following information:

a. Consolidated Balance Sheet (page 43);

b. Issuer's Balance Sheet (page 43);

c. Consolidated Income Statement (page 42) and Consolidated Statement of Comprehensive Income (page 42);

d. Accounting Policies and Notes (pages 47-109); and

e. Auditors' Report (pages 112-115);

(iv) the following page of the following section of the Issuer's 2016 Annual Report:

a. Performance in 2016 (page 16);

(v) the unaudited consolidated interim financial statements of the Issuer as of and for the three months ended 31st March, 2018 as set out on pages 15 – 38 of the Issuer's First Quarter 2018 Interim Report which include, *inter alia*, the following information:

a. Unaudited Consolidated Balance Sheet (page 16);

b. Unaudited Consolidated Income Statement (page 15) and Unaudited Consolidated Statement of Comprehensive Income (page 15); and

c. Accounting Policies and Notes (pages 23 – 38); and

(vi) the following sections (or, as applicable, pages of sections) of the Issuer's First Quarter 2018 Interim Report:

a. Status – targets, but excluding the final column of the table titled "Comment" (page 5); and

b. Financial Review – Performance in Q1 2018 (pages 10, 11 and 12);

(vii) the following sections (or, as applicable, pages of sections) of the Issuer's 2015 Annual Report:

a. Summary (page 10);

b. Note 3 Solvency (pages 52-53); and

c. Note 28 Deposits and other debt (page 73);

(viii) the following sections (or, as applicable, pages of sections) of the Issuer's 2014 Annual Report:

a. Group Financial Highlights (page 8); and

b. Note 41 Financial highlights (page 86); and

(ix) the articles of association of the Issuer.

The financial statements listed above are direct and accurate English translations of the original versions.

Any information contained in a document incorporated by reference in, and forming part of, this Prospectus but not incorporated by reference pursuant to the above paragraphs is either (i) not considered by the Issuer to be relevant for investors or (ii) included elsewhere in this Prospectus.

If documents which are incorporated by reference in this Prospectus themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference into this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer, from the website of the Issuer at www.sydbank.com/sydbankcom/about/ir/finreports and from the specified offices of the Principal Paying Agent for the time being in London.

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*Words and expressions defined in "Terms and Conditions of the Notes" herein shall have the same meanings in this "Overview of Provisions relating to the Notes while in Global Form".*

### Temporary Global Note exchangeable for Permanent Global Note

The Notes will initially be in the form of the Temporary Global Note, without Coupons, which will be deposited on or around the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg. Interests in the Temporary Global Note will be exchangeable, in whole or in part, for interests in the Permanent Global Note, without Coupons, which will also be deposited on or around the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg, on or after the Exchange Date, upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in the Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of the Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange of a part of the Temporary Global Note) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Issuing Agent; and

(ii) in either case, receipt by the Issuing Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

The Outstanding Principal Amounts of the Notes represented by the Permanent Global Note shall be equal to the aggregate of the original principal amounts specified in the certificates of non-U.S. beneficial ownership as adjusted to reflect any reduction and/or reinstatement pursuant to Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes) and/or any reduction as otherwise required by then current legislation and/or regulations applicable to the Issuer; provided, however, that in no circumstances shall the Outstanding Principal Amounts of the Notes represented by the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

### Permanent Global Note exchangeable for Definitive Notes

Interests in the Permanent Global Note will be exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Definitive Notes, if:

(i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of legal holidays) or announces an intention permanently to cease business or in fact does so; or

(ii) any of the circumstances described in Condition 11 (Enforcement Events) occurs.

Interests in the Permanent Global Note will also become exchangeable, in whole but not in part only and at the request of the Issuer, for Definitive Notes if, by reason of any change in the laws of Denmark, the Issuer will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes are in definitive form.

Definitive Notes will have attached thereto at the time of their initial delivery Coupons. Definitive Notes will also, if necessary, have attached thereto at the time of their initial delivery Talons and the expression Coupons shall, where the context so requires, include Talons.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and, if necessary, Talons attached, in an aggregate principal amount equal to the Outstanding Principal Amounts of the Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issuing Agent within thirty days of the bearer requesting such exchange.

Each Definitive Note shall state that its Outstanding Principal Amount may be reduced and/or reinstated pursuant to Condition 7 (Loss Absorption Following a Trigger Event and Reinstatement of the Notes) or reduced as otherwise required by then current legislation and/or regulations applicable to the Issuer and that details thereof may be obtained during normal business hours at the Specified Office of the Issuing Agent.

The Permanent Global Note also provides, *inter alia*, that:

(i) if Definitive Notes have not been delivered in accordance with the terms of the Permanent Global Note by 6.00 p.m. (London time) on the thirtieth day after the day on which such Permanent Global Note becomes due to be exchanged; or

(ii) if the Permanent Global Note (or any part thereof) becomes due and payable in accordance with the Terms and Conditions or the date for final redemption of the Permanent Global Note has occurred, and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made on the due date for payment by 6.00 p.m. (London time) on such due date,

then the Permanent Global Note will become void in accordance with its terms but without prejudice to the rights conferred by the Deed of Covenant.

**Terms and Conditions applicable to the Notes**

The Terms and Conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the Terms and Conditions set out under "*Terms and Conditions of the Notes*" below.

The Terms and Conditions applicable to the Notes represented by one or more Global Notes will differ from those Terms and Conditions which would apply to the Notes were they in definitive form to the extent described in this "*Overview of Provisions relating to the Notes while in Global Form*".

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the relevant Global Note. The following is a summary of certain of those provisions:

*Payments*: The holder of a Global Note shall be the only person entitled to receive payments in respect of the Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of the Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of **Payment Business Day** set out in Condition 2.1 (Definitions).

*Notices*: Notwithstanding Condition 16 (Notices), while all the Notes are represented by one or more Global Notes and such Global Note(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, the requirement in Condition 16 (Notices) for a notice to be published in a leading English language daily newspaper having general circulation in London shall not apply and notices to Noteholders may instead be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (Notices) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

*Extraordinary Resolutions*: Notwithstanding Condition 15 (Meetings of Noteholders; Modification), while all the Notes are represented by one or more Global Notes and such Global Note(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, an Extraordinary Resolution may instead be approved by Noteholders by consent given by way of electronic consents through Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three quarters in Outstanding Principal Amounts of the Notes for the time being outstanding.

**Clearing Systems**

Any reference herein to Euroclear and/or Clearstream, Luxembourg, as the case may be, shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Principal Paying Agent and the Noteholders.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Definitive Note if permitted by the relevant stock exchange or other relevant authority (if any) but, if not so permitted, each Definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The Terms and Conditions applicable to any Global Note will differ from those Terms and Conditions which would apply to a Definitive Note to the extent described under "Overview of Provisions relating to the Notes while in Global Form" above.*

### 1. Introduction

The €100,000,000 Perpetual Non-cumulative Resettable Additional Tier 1 Capital Notes (the **Notes**) are issued by Sydbank A/S (the **Issuer**).

The Notes and the Coupons (as defined below) are issued with the benefit of an Agency Agreement (the **Agency Agreement**) dated 30th May, 2018 between the Issuer and The Bank of New York Mellon, London Branch as issuing agent (in such capacity, the **Issuing Agent**, which expression shall include any successor issuing agent) and as principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any additional or successor principal paying agent, and together with any additional or successor paying agents, the **Paying Agents**).

The Notes and the Coupons are issued with the benefit of a deed of covenant entered into by the Issuer in favour of the Noteholders (as defined below) dated 30th May, 2018 (the **Deed of Covenant**).

Certain provisions of these Terms and Conditions (the **Conditions**) are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The holders of the Notes (the **Noteholders**) and the holders of the interest coupons (the **Couponholders** and the **Coupons**, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the specified office of each of the Paying Agents.

### 2. Definitions and Interpretation

2.1 **Definitions:** In the Conditions, the following expressions have the following meanings:

**2014 RTS** means Commission Delegated Regulation (EU) No. 241/2014 of 7th January, 2014, supplementing the CRR with regard to regulatory technical standards for own funds requirements for institutions;

**5-year Mid-Swap Rate** means, in relation to a Reset Interest Period and the Reference Rate Determination Date in relation to such Reset Interest Period:

(i) the rate for euro swaps with a term of 5 years which appears on the Screen Page as of 11:00 a.m. (Brussels time) on such Reference Rate Determination Date; or

(ii) if the 5-year Mid-Swap Rate does not appear on the Screen Page at such time on such Reference Rate Determination Date, the Reset Reference Bank Rate on such Reference Rate Determination Date;

**5-year Mid-Swap Rate Quotations** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

(i) has a term of 5 years commencing on the relevant Reset Date;

(ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(iii) has a floating leg based on 6-month EURIBOR (calculated on an Actual/360 day count basis);

**Additional Amounts** has the meaning given to such term in Condition 10;

**Additional Tier 1 Capital** means capital which is treated as Additional Tier 1 capital (in Danish: *hybrid kernekapital*) (or any equivalent or successor term) under the CRD IV requirements by the Relevant Regulator for the purposes of the Issuer and/or the Group, as applicable;

**Available Reinstatement Amount** has the meaning given to such term in Condition 7.4;

**BRRD** means the Directive (2014/59/EU) of the European Parliament and of the Council on resolution and recovery of credit institutions and investment firms dated 15th May, 2014 and published in the Official Journal of the European Union on 12th June, 2014 (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time;

**Business Day** means a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Copenhagen;

**Calculation Amount** means €1,000 (the **Original Calculation Amount**), provided that if the Outstanding Principal Amount of each Note is amended (either by reduction or reinstatement) in accordance with Condition 7 or as otherwise required by then current legislation and/or regulations applicable to the Issuer, the Principal Paying Agent shall (i) adjust the Calculation Amount on a *pro rata* basis to account for such reduction or reinstatement, as the case may be, and (ii) notify the Noteholders in accordance with Condition 16 of the details of such adjustment;

**Capital Event** means, at any time, on or after the Issue Date, there is a change in the regulatory classification of the Notes that results or will result in:

(i) their exclusion in whole or in part from the regulatory capital of the Issuer and/or the Group; or

(ii) reclassification in whole or in part as a lower quality form of regulatory capital of the Issuer and/or the Group,

in each case provided that (a) the Relevant Regulator considers such a change to be sufficiently certain and (b) the Issuer satisfies the Relevant Regulator that the regulatory reclassification of the Notes was not reasonably foreseeable at the time of their issuance;

**Code** means the U.S. Internal Revenue Code of 1986;

**Common Equity Tier 1 Capital** means Common Equity Tier 1 capital (or any equivalent or successor term) of, as the case may be, the Issuer or the Group, in each case as calculated by the Issuer in accordance with the CRD IV requirements and any applicable transitional arrangement under the CRD IV requirements;

**Common Equity Tier 1 Capital Ratio** means (at any time):

(i) in relation to the Issuer, the ratio (expressed as a percentage) of the aggregate amount of the Common Equity Tier 1 Capital of the Issuer divided by the Risk Exposure Amounts of the Issuer; and

(ii) in relation to the Group, the ratio (expressed as a percentage) of the aggregate amount of the Common Equity Tier 1 Capital of the Group divided by the Risk Exposure Amounts of the Group,

in each case, all as calculated by the Issuer or, as the case may be, the Relevant Regulator in accordance with the CRD IV requirements at such time and any applicable transitional arrangements under the CRD IV requirements at such time and, if applicable, reported to the Relevant Regulator;

**Coupon Sheet** means, in relation to a Note, the coupon sheet relating to that Note;

**CRD IV** means, as the context requires, any or any combination of the CRD IV Directive, the CRR and any CRD IV Implementing Measures;

**CRD IV Directive** means the Directive (2013/36/EU) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26th June, 2013 and published in the Official Journal of the European Union on 27th June, 2013 (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time;

**CRD IV Implementing Measures** means any regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer and/or the Group and which prescribe (alone or in conjunction with any other rules, regulations or other requirements) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer and/or the Group to the extent required by the CRD IV Directive or the CRR, including for the avoidance of doubt and without limitation any regulatory technical standards, guidelines, recommendations and/or opinions released from time to time by the European Banking Authority (or any successor or replacement thereof) or the Relevant Regulator, as the case may be;

**CRR** means the Regulation (2013/575) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26th June, 2013 and published in the Official Journal of the European Union on 27th June, 2013, as amended or replaced from time to time;

**Danish Financial Business Act** means the Danish Financial Business Act (in Danish: *lov om finansiel virksomhed*) (Consolidated Act No. 1140 of 26th September, 2017, as amended or replaced from time to time);

**Danish Statutory Loss Absorption Powers** means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Denmark, relating to (i) the transposition of the BRRD (or, as the case may be, any provision of Danish law transposing or implementing such Directive) as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into Ordinary Shares, other Securities or other obligations of the Issuer or any other Person (or suspended for a temporary period);

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time (the **Calculation Period**), "Actual/Actual (ICMA)", which means the actual number of days in such Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) two;

**Distributable Items** means, as prescribed by CRD IV, the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's by-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution, those losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts, or any successor provision thereto;

**Enforcement Event** has the meaning given to such term in Condition 11;

**euro** and **€** mean the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union (as amended from time to time);

**Existing Hybrid Tier 1 Capital Notes** means the Issuer's EUR 75,000,000 Perpetual Capped Fixed/Variable Capital Securities (ISIN XS0205055675);

**Extraordinary Resolution** has the meaning given to such term in the Agency Agreement;

**First Call Date** means 28th August, 2025;

**First Interest Payment Date** has the meaning given to such term in Condition 5.1;

**Full Loss Absorbing AT1 Instruments** has the meaning given to such term in Condition 7.1;

**Group** means the Issuer together with its Subsidiaries and other entities that are consolidated in the Issuer's calculation of the Common Equity Tier 1 Capital Ratio on a consolidated level in accordance with the CRD IV requirements;

**Initial Period** means the period from (and including) the Issue Date to (but excluding) the First Call Date;

**Initial Rate of Interest** means 5.250 per cent. per annum;

**Interest Payment Date** means 28th February and 28th August in each year from (and including) the First Interest Payment Date;

**Interest Period** means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the First Interest Payment date or the next Interest Payment Date, as the case may be;

**Issue Date** means 30th May, 2018;

**Loss Absorption Minimum Amount** means €0.01;

**Margin** means 4.618 per cent.;

**Maximum Distributable Amount** means any applicable maximum distributable amount relating to the Issuer and/or the Group (if any) which is determined pursuant to CRD IV requirements, including Article 141 of the CRD IV Directive (or, as the case may be, any provision of Danish law transposing or implementing Article 141 of the CRD IV Directive), or any successor provision thereto;

**Optional Redemption Date** means the First Call Date or any Interest Payment Date thereafter;

**Ordinary Shares** means fully paid-up ordinary shares in the capital of the Issuer;

**Original Calculation Amount** has the meaning given to such term in the definition of Calculation Amount;

**Original Principal Amount** means, with respect to an issue of Additional Tier 1 Capital instruments (including the Notes), the original principal amount of such Additional Tier 1 Capital instruments which, in the case of each integral of €1,000 comprising a denomination of the Notes, is equal to an original principal amount of €1,000;

**Other Loss Absorbing AT1 Instruments** means obligations or capital instruments (other than the Notes) which are, as at their relevant issue date, eligible to constitute Additional Tier 1 Capital of the Issuer and/or the Group and which include a principal loss absorption mechanism that:

(i) is capable of generating Common Equity Tier 1 Capital of the Issuer and/or the Group; and

(ii) is activated by an event equivalent to the Trigger Event in all material respects (or, as the case may be, in all material respects other than the threshold for such activation);

**Outstanding Principal Amount** means, in respect of a Note, the outstanding principal amount of such Note, as adjusted from time to time for any reduction or reinstatement of the principal amount, in accordance with Condition 7 or as otherwise required by then current legislation and/or regulations applicable to the Issuer and **Outstanding Principal Amounts** means the sum of the Outstanding Principal Amount of each Note;

**Parity Trigger Loss Absorbing AT1 Instruments** means obligations or capital instruments (other than the Notes) which are, as at their relevant issue date, eligible to constitute Additional Tier 1 Capital of the Issuer and/or the Group and which include a principal loss absorption mechanism that is capable of generating Common Equity Tier 1 Capital of the Issuer and/or the Group and that is activated by an event equivalent to the Trigger Event in all material respects and that has a threshold for such activation which is identical to the Trigger Event Threshold;

**Payment Business Day** means a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation;

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Qualifying Capital Notes** means, at any time, any securities (other than the Notes) issued or guaranteed by the Issuer:

(i) (A) the terms of which and (if such securities are guaranteed by the Issuer) the guarantee of which at such time comply with the CRD IV requirements in relation to Additional Tier 1 Capital (which, for the avoidance of doubt, may result in such securities not including, or restricting for a period of time the application of, one or both of the Special Event redemption events which are included in the Notes) and (B) that provide at least the same amount of regulatory capital recognition as the Notes prior to the relevant substitution or variation pursuant to Condition 8.6; and

(ii) that carry the same rate of interest, including for the avoidance of doubt any reset provisions, from time to time applying to the Notes prior to the relevant substitution or variation pursuant to Condition 8.6; and

(iii) that have the same currency of payment, denomination, Original Principal Amount and Outstanding Principal Amounts as the Notes prior to the relevant substitution or variation pursuant to Condition 8.6; and

(iv) (if such securities are issued by the Issuer) that rank *pari passu* with the Notes or (if such securities are guaranteed by the Issuer) the guarantee for which ranks *pari passu* with the Notes, in either case prior to the relevant substitution or variation pursuant to Condition 8.6; and

(v) that shall not at such time be subject to a Special Event; and

(vi) that are assigned (or maintain) at least the same solicited credit ratings as were assigned to the Notes immediately prior to the relevant substitution or variation pursuant to Condition 8.6 unless, in respect of each such solicited credit rating, any downgrade of such solicited credit rating compared to the equivalent solicited credit rating that was assigned to the Notes immediately prior to the relevant substitution or variation pursuant to Condition 8.6 is solely attributable to the effectiveness and enforceability of Condition 18.4; and

(vii) other than in respect of the effectiveness and enforceability of Condition 18.4, that have terms not materially less favourable to the Noteholders than the terms of the Notes, as reasonably determined by the Issuer, and provided that the Issuer shall have delivered a certificate to that effect signed by two of its directors to the Principal Paying Agent (and copies thereof will be available at the Principal Paying Agent's specified office during its normal business hours) not less than 5 Business Days prior to (x) in the case of a substitution of the Notes pursuant to Condition 8.6, the issue date of the relevant securities or (y) in the case of a variation of the Notes pursuant to Condition 8.6, the date such variation becomes effective; and

(viii) that if (A) the Notes were listed or admitted to trading on a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on a Regulated Market or (B) the Notes were listed or admitted to trading on a recognised stock exchange other than a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in either case as selected by the Issuer;

**Rate of Interest** means:

(i) in the case of each Interest Period falling in the Initial Period, the Initial Rate of Interest; or

(ii) in the case of each Interest Period thereafter, the sum, converted from an annual basis to a semi-annual basis (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the Reference Rate in respect of the Reset Interest Period in which such Interest Period falls and (B) the Margin,

all as determined by the Principal Paying Agent (in conjunction with the Issuer, where applicable) in accordance with Condition 5;

**Reference Rate** means, in relation to a Reset Interest Period, the 5-year Mid-Swap Rate determined for such Reset Interest Period by the Principal Paying Agent in accordance with Condition 5;

**Reference Rate Determination Date** means, in relation to a Reset Interest Period, the day falling two TARGET Settlement Days prior to the Reset Date on which such Reset Interest Period commences;

**Regular Period** means each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means 28th February and 28th August;

**Regulated Market** means a regulated market for the purposes of Directive 2014/65/EU;

**Reinstatement Limit** has the meaning given to such term in Condition 7.3;

**Relevant Amounts** means the Outstanding Principal Amounts of the Notes, together with any accrued but unpaid interest and Additional Amounts due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority;

**Relevant Date** means the date on which a payment in respect of the Notes first becomes due, except that, if the full amount of the moneys payable has not been duly received by a Paying Agent on or before the due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16;

**Relevant Regulator** means, in relation to the Issuer or the Group, as the case may be, the Danish Financial Supervisory Authority and any successor or replacement thereto, and/or such other authority having primary responsibility for the prudential oversight and supervision of the Issuer or the Group, as applicable, in each case as determined by the Issuer;

**Relevant Resolution Authority** means the resolution authority with the ability to exercise any Danish Statutory Loss Absorption Powers in relation to the Issuer;

**Reset Date** means the First Call Date and each day which falls on the fifth anniversary of the immediately preceding Reset Date;

**Reset Interest Amount** has the meaning given to such term in Condition 5.5;

**Reset Interest Period** means each period from (and including) the First Call Date or any Reset Date and ending on (but excluding) the next Reset Date;

**Reset Reference Bank Rate** means, in relation to a Reset Interest Period and the Reference Rate Determination Date in relation to such Reset Interest Period, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Principal Paying Agent at approximately 11:00 a.m. (Brussels time) on such Reference Rate Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period will be (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Call Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period or (ii) in the case of the Reset Interest Period commencing on the First Call Date, 0.702 per cent. per annum;

**Reset Reference Banks** means five leading swap dealers in the euro interbank market selected by the Principal Paying Agent in its discretion after consultation with the Issuer;

**Risk Exposure Amounts** means the aggregate amount of the risk exposure amounts (or any equivalent or successor term) of, as the case may be, the Issuer or the Group, in each case as calculated by the Issuer in accordance with the CRD IV requirements and any applicable transitional arrangements under CRD IV;

**Screen Page** means Reuters Screen "ICESWAP2" or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the 5-year Mid-Swap Rate;

**Securities** means any securities including, without limitation, shares in the capital of the Issuer;

**Short First Interest Period** means the period beginning on (and including) the Issue Date and ending on (but excluding) the First Interest Payment Date;

**Special Event** means either a Tax Event or a Capital Event;

**Subsidiary** means, in relation to any entity, any company which is for the time being a subsidiary within the meaning of Sections 6-7 of the Danish Companies Act (in Danish: *Selskabsloven*) (Consolidated Act No. 1089 of 14th September, 2015) as amended or replaced from time to time;

**Talon** means a talon for further Coupons;

**TARGET Settlement Day** means any day on which the TARGET System is open for the settlement of payments in euro;

**TARGET System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19th November, 2007 or any successor thereto;

**Tax Event** means as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Denmark or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or any change in the application or official interpretation of such laws or regulations on or after the Issue Date, the Issuer receives an opinion of independent legal or tax advisers of recognised standing to the effect that (A) it would be required to pay Additional Amounts as provided in Condition 10 or (B) it will no longer be able to obtain a full tax deduction for the purposes of Danish tax for any payment of interest under the Notes, in each case provided that the Issuer satisfies the Relevant Regulator that such change in tax treatment of the Notes is material and was not reasonably foreseeable at the time of their issuance;

**Tier 1 Capital** means capital which is treated as a constituent of Tier 1 capital under the CRD IV requirements by the Relevant Regulator for the purposes of the Issuer and/or the Group, as applicable;

**Trigger Event** means, as determined at any time by the Issuer, the Relevant Regulator or any agent appointed for such purpose by the Relevant Regulator, as the case may be, that the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group has fallen below the Trigger Event Threshold and such determination by the Issuer, the Relevant Regulator or any agent appointed for such purpose by the Relevant Regulator, as the case may be, shall be binding on the Noteholders;

**Trigger Event Early Redemption Restrictions** has the meaning given to such term in Condition 7.1; and

**Trigger Event Threshold** means 7.00 per cent.

2.2 **Interpretation:** In the Conditions:

(i) Notes, Noteholders and holders of Notes shall respectively be deemed to include references to Coupons, Couponholders and holders of Coupons, if relevant;

(ii) references to Coupons shall be deemed to include references to Talons;

(iii) any reference to principal shall be deemed to include the Outstanding Principal Amount(s) and any other amount in the nature of principal payable pursuant to the Conditions;

(iv) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 10 and any other amount in the nature of interest payable pursuant to the Conditions;

(v) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vi) any reference to a numbered "Condition" shall be to the relevant Condition in these Conditions; and

(vii) any reference to any legislation, any provision thereof or to any instrument, order or regulation made thereunder shall be construed as a reference to such legislation, provision, instrument, order or regulation as the same may have been, or may from time to time be, amended, replaced or re-enacted.

## 3. Form, Denomination and Title

The Notes are in bearer form, serially numbered, in the denominations of €200,000 and integral multiples of €1,000 in excess thereof up to (and including) €399,000, each with Coupons and, if necessary, Talons attached on issue. Notes of one denomination will not be exchangeable for Notes of another denomination.

The Outstanding Principal Amounts may be adjusted as provided in Condition 7 or as otherwise required by then current legislation and/or regulations applicable to the Issuer. Any such adjustment to the Outstanding Principal Amounts will not have any effect on the denominations of the Notes.

Title to Notes and Coupons will pass by delivery. A holder of a Note or a Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

## 4. Status of the Notes

The Notes (in Danish: *kapitalbeviser*) on issue constitute Additional Tier 1 Capital of the Issuer and the Group under the CRD IV requirements.

Subject to Condition 7, the Notes constitute direct, unconditional, unsecured and subordinated debt obligations of the Issuer, and shall at all times rank:

(i) *pari passu* without any preference among themselves;

(ii) *pari passu* with (a) the Existing Hybrid Tier 1 Capital Notes, (b) any obligations or capital instruments of the Issuer which constitute Additional Tier 1 Capital and (c) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;

(iii) senior to holders of the Ordinary Shares and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and

(iv) junior to present or future claims of (a) depositors of the Issuer, (b) other unsubordinated creditors of the Issuer and (c) other subordinated creditors of the Issuer other than the present or future claims of creditors that rank or are expressed to rank *pari passu* with or junior to the Notes.

In accordance with Danish law, no Noteholder, who shall in the event of the liquidation or bankruptcy of the Issuer be indebted to the Issuer, shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Notes held by such Noteholder.

## 5. Interest and other Calculations

5.1 **Interest rate:** The Notes bear interest on their Outstanding Principal Amounts at the relevant Rate of Interest from (and including) the Issue Date. Interest shall be payable semi-annually in arrear on each Interest Payment Date, subject in any case as provided in Condition 6 and Condition 9. The first payment of interest will be made on 28th August, 2018 (the **First Interest Payment Date**).

5.2 **Accrual of interest:** Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Outstanding Principal Amount in respect thereof is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of:

(i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

(ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders in accordance with Condition 16 that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

5.3 **Interest to (but excluding) the First Call Date:** Unless the Calculation Amount has been adjusted as described in the definition thereof, the amount of interest per Calculation Amount payable on:

(i) each Interest Payment Date in relation to an Interest Period falling in the Initial Period (other than the Short First Interest Period) will be €26.25; and

(ii) the First Interest Payment Date in respect of the Short First Interest Period will be €13.05.

If the Calculation Amount has been adjusted as described in the definition thereof, Condition 5.7 will apply.

5.4 **Determination of Reference Rate in relation to a Reset Interest Period:** The Principal Paying Agent will, as soon as practicable after 11:00 a.m. (Brussels time) on each Reference Rate Determination Date in relation to a Reset Interest Period, determine the Reference Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Dates in relation to each Interest Period falling in such Reset Interest Period (each a **Reset Interest Amount**).

5.5 **Publication of Reference Rate and Reset Interest Amount:** With respect to each Reset Interest Period, the Principal Paying Agent will cause the relevant Reference Rate and the relevant Reset Interest Amount determined by it, together with the relevant Interest Payment Dates in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the relevant Reset Date. To the extent that the Principal Paying Agent is unable to notify such listing authority, stock exchange and/or quotation system (if any), the Principal Paying Agent shall promptly notify the Issuer, who shall procure the performance of such obligation. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 16.

5.6 **Calculation of amount of interest per Calculation Amount:** Save as specified in Condition 5.3, the amount of interest payable in respect of the Calculation Amount (including, for the avoidance of doubt, the Reset Interest Amount) for any period shall be calculated by:

(i) applying the applicable Rate of Interest to the Calculation Amount;

(ii) multiplying the product thereof by the Day Count Fraction; and

(iii) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If pursuant to Condition 7 or as otherwise required by then current legislation and/or regulations applicable to the Issuer, the Outstanding Principal Amounts are reduced and/or reinstated during an Interest Period, the Calculation Amount will be adjusted by the Principal Paying Agent to reflect such Outstanding Principal Amounts from time to time so that the relevant amount of interest is determined by reference to such Calculation Amount as adjusted from time to time, all as determined by the Principal Paying Agent in consultation with the Issuer.

**5.7** **Calculation of amount of interest per Note:** The amount of interest payable in respect of a Note shall be the product of:

(i) the amount of interest per Calculation Amount; and

(ii) the number by which the Original Calculation Amount is required to be multiplied to equal the denomination of such Note.

5.8 **Notifications to be final:** All notifications, certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## 6. Interest Cancellation

6.1 **Interest Cancellation:** Any payment of interest (including, for the avoidance of doubt, any Additional Amounts payable pursuant to Condition 10) in respect of the Notes shall be payable only out of the Issuer's Distributable Items and:

(i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion; or

(ii) will be mandatorily cancelled, in whole or in part, to the extent:

(A) that, if the relevant payment were so made, the amount of such payment, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Danish law transposing or implementing Article 141(2) of the CRD IV Directive), or any other analogous provision thereto under the CRD IV requirements, would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital instruments relating to any applicable Maximum Distributable Amount;

(B) otherwise so required by CRD IV, including the applicable criteria for Additional Tier 1 Capital instruments, or where the Relevant Regulator requires the Issuer to cancel the relevant payment in whole or in part.

Any cancellation of interest pursuant to this Condition 6.1 shall not constitute an event of default under the Notes.

6.2 **Notice of Interest Cancellation:** The Issuer shall give notice to the Principal Paying Agent and the Noteholders in accordance with Condition 16 of any such cancellation of a payment of interest, which notice might be given after the date on which the relevant payment of interest is scheduled to be made. Notwithstanding the foregoing, failure to give such notice shall not prejudice the right of the Issuer not to pay interest as described above.

6.3 **Effect of Interest Cancellation:** Following any cancellation of interest as described above, the right of Noteholders to receive accrued interest in respect of any such Interest Period will terminate and the Issuer will have no further obligation to pay such interest or to pay interest thereon, whether or not payments of interest in respect of subsequent Interest Periods are made, and such unpaid interest will not be deemed to have "accrued" or been earned for any purpose nor will the non-payment of such interest constitute a default by the Issuer for any purpose and the Noteholders shall have no rights in respect of such payment of interest whether in a bankruptcy or liquidation of the Issuer or otherwise.

## 7. Loss Absorption Following a Trigger Event and Reinstatement of the Notes

7.1 **Loss Absorption Following a Trigger Event :** If at any time a Trigger Event occurs, the Issuer shall immediately notify the Relevant Regulator, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders and the Outstanding Principal Amounts shall be reduced as described below. Notwithstanding the foregoing, failure to give such notice shall not prejudice the reduction of the Outstanding Principal Amounts as described below.

If a Trigger Event occurs after a notice of redemption has been given pursuant to Condition 8.2 or Condition 8.3 but before the relevant redemption date, such notice of redemption shall automatically be revoked and the relevant redemption shall not be made until a new redemption notice is given and all conditions for redemption as described in Condition 8.7 have been fulfilled. If a notice of a Trigger Event has been given pursuant to this Condition 7.1, no notice of redemption may be given pursuant to Condition 8.2 or Condition 8.3 until such Trigger Event has been cured. The redemption restrictions described in this paragraph are together referred to as the **Trigger Event Early Redemption Restrictions**.

Such reduction shall take place on such date selected by the Issuer in consultation with the Relevant Regulator (the **Write Down Date**) but no later than one month following the occurrence of the relevant Trigger Event.

Subject to compliance with CRD IV and BRRD requirements, the amount of the reduction of the Outstanding Principal Amounts on the Write Down Date will be equal to the lower of:

(i) the amount of a reduction to the Outstanding Principal Amounts that would restore the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group, as applicable, to at least the Trigger Event Threshold at the point of such reduction, taking into account the amount of Common Equity Tier 1 Capital (if any) of the Issuer and/or the Group, as the case may be, generated on or prior to the Write Down Date by the *pro rata* reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the principal amount of all Other Loss Absorbing AT1 Instruments (if any) outstanding at such time,

provided that:

(x) with respect to each such Other Loss Absorbing AT1 Instrument (if any), such pro rata reduction or, as the case may be, conversion shall only be taken into account as described above to the extent required to restore the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group, as applicable, to the Trigger Event Threshold or, if lower, such Other Loss Absorbing AT1 Instrument's trigger level; and

(y) to the extent the reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the principal amount of any Other Loss Absorbing AT1 Instrument is not, or by the relevant Write Down Date will not be, effective for any reason:

(1) the ineffectiveness of any such reduction or, as the case may be, conversion into Common Equity Tier 1 Capital instruments shall not prejudice the requirement to effect a reduction to the Outstanding Principal Amounts pursuant to this Condition 7.1; and

(2) the reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the principal amount of any Other Loss Absorbing AT1 Instrument which is not, or by the Write Down Date will not be, effective shall not be taken into account in determining such reduction of the Outstanding Principal Amounts,

and

(ii) the amount of a reduction of the Outstanding Principal Amounts that would reduce the Outstanding Principal Amounts to the Loss Absorption Minimum Amount.

If, in connection with the reduction of the Outstanding Principal Amounts or the calculation of the amount of the reduction of the Outstanding Principal Amounts, there are any Other Loss Absorbing AT1 Instruments that may be reduced, or, as the case may be, converted into Common Equity Tier 1 Capital

instruments in full (save for any floor equivalent to the Loss Absorption Minimum Amount) but not in part only (**Full Loss Absorbing AT1 Instruments**), then:

(I) the requirement that a reduction of the Outstanding Principal Amounts pursuant to this Condition 7.1 shall be effected *pro rata* with the reduction or, as the case may be, conversion into Common Equity Tier 1 Capital instruments, as the case may be, of any Other Loss Absorbing AT1 Instruments shall not be construed as requiring the Outstanding Principal Amounts to be reduced in full simply by virtue of the fact that any Full Loss Absorbing AT1 Instruments will be reduced or, as the case may be, converted in full; and

(II) for the purposes of calculating the reduction of the Outstanding Principal Amounts, any Full Loss Absorbing AT1 Instruments will be treated (for the purposes only of determining the reduction or, as the case may be, conversion into Common Equity Tier 1 Capital instruments among the Notes and all Other Loss Absorbing AT1 Instruments on a *pro rata* basis) as if their terms permitted partial reduction or, as the case may be, conversion into Common Equity Tier 1 Capital instruments, such that the reduction or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of such Full Loss Absorbing AT1 Instruments shall be deemed to occur in two concurrent stages:

(A) the principal amount of such Full Loss Absorbing AT1 Instruments shall be reduced or converted into Common Equity Tier 1 Capital instruments *pro rata* with the Notes and all Other Loss Absorbing AT1 Instruments (if any) on the basis described in Condition 7.1(i) above; and

(B) the balance (if any) of the principal amount of such Full Loss Absorbing AT1 Instruments remaining following (A) above shall be reduced or, as the case may be, converted into Common Equity Tier 1 Capital instruments in accordance with their terms with the effect of increasing the Issuer's and/or the Group's, as the case may be, Common Equity Tier 1 Capital Ratio above the minimum required level under (A) above.

The Issuer's determination of the relevant amount of a reduction to the Outstanding Principal Amounts pursuant to this Condition 7.1 shall be binding on all parties.

Following a reduction of the Outstanding Principal Amounts as described above, interest will continue to accrue on the Outstanding Principal Amounts following such reduction, and will be subject to Condition 6 and Condition 7.2 as described herein.

For the avoidance of doubt, the Outstanding Principal Amount of each Note shall, upon the reduction of the Outstanding Principal Amounts described above, be reduced on a likewise *pro rata* basis.

Any reduction of the Outstanding Principal Amounts pursuant to this Condition 7.1 shall not constitute an event of default under the Notes.

7.2 **Reinstatement of the Notes:** Following a reduction of the Outstanding Principal Amounts in accordance with Condition 7.1, the Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes, subject to compliance with the CRD IV requirements and the Reinstatement Limit, on a *pro rata* basis with all other Parity Trigger Loss Absorbing AT1 Instruments (if any) which would, following such reinstatement, constitute Additional Tier 1 Capital and feature similar write down and reinstatement provisions.

**7.3** **Reinstatement Limit:** Any reinstatement of some or all of the principal amount of all relevant outstanding Additional Tier 1 Capital instruments, where the principal amount of such Additional Tier 1 Capital instruments has been reduced, may not at any time exceed the reinstatement limit applicable at such time (the **Reinstatement Limit**). Subject to Condition 7.5, the Reinstatement Limit will be the lower of the Available Reinstatement Amounts calculated for each of the Issuer and the Group in accordance with Condition 7.4.

7.4 **Available Reinstatement Amounts:** The **Available Reinstatement Amount** for each of the Issuer and the Group will be calculated as the amount equal to the profits of (in the case of the calculation of the Issuer's Available Reinstatement Amount) the Issuer or (in the case of the Group's Available Reinstatement Amount) the Group, in each case after the Issuer or the Group, as the case may be, has taken a formal decision confirming its final profits, multiplied by the ratio of the Original Principal Amount of all relevant outstanding Additional Tier 1 Capital instruments, where the principal amount of such Additional Tier 1 Capital instruments has been reduced, divided by the total Tier 1 Capital of the Issuer or the Group, as the case may be, in each case at the date of the relevant reinstatement, less:

(i) with respect to any relevant Additional Tier 1 Capital instruments, where the principal amount has been reduced, the sum of any principal amounts that have already been reinstated during the period to which such profits relate; and

(ii) the sum of any amounts of interest or, as the case may be, other periodic distributions in respect of any relevant Additional Tier 1 Capital instruments, where the principal amount has been reduced, and which were paid or have been calculated (but disregarding any such interest which has been cancelled) during the period to which such profits relate on the basis of an outstanding principal amount which is lower than the Original Principal Amount of such Additional Tier 1 Capital instruments.

7.5 **Maximum Distributable Amount restriction:** A reinstatement as described above shall not be effected in circumstances which (when aggregated together with distributions of the kind referred to in Article 141 (2) of the CRD IV Directive or, as the case may be, any provision of Danish law transposing or implementing Article 141(2) of the CRD IV Directive, or any other analogous provision thereto under the CRD IV requirements) would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital instruments relating to any Maximum Distributable Amount.

7.6 **Miscellaneous provisions applicable to reinstatement:** For the avoidance of doubt, at no time may the Outstanding Principal Amounts exceed the Original Principal Amount of the Notes.

To the extent that the principal amount of the Notes has been reinstated as described above, interest shall begin to accrue on the reinstated principal amount of the Notes, and become payable in accordance with the Conditions, as from the date of the relevant reinstatement.

7.7 **No liability:** None of the Issuing Agent and any Paying Agent shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Trigger Event or any consequent write-down, reduction and/or cancellation of the Notes or of any claims in respect thereof. None of the Issuing Agent and any Paying Agent shall be responsible for any calculation or determination, or the verification of any calculation or determination, in connection with the same.

## 8. Redemption and Purchase

8.1 **Scheduled redemption:** The Notes are perpetual securities and have no fixed date for redemption. The Issuer may only redeem the Notes at its discretion in the circumstances described herein. The Notes are not redeemable at the option of the Noteholders at any time.

8.2 **Early redemption upon the occurrence of a Special Event:** Subject to Condition 8.7, upon the occurrence of a Special Event, the Issuer may, at its option, at any time and having given no less than thirty nor more than sixty days' notice to the Principal Paying Agent and the Noteholders in accordance with Condition 16 (which notice shall, subject to the Trigger Event Early Redemption Restrictions, be irrevocable), redeem all (but not some only) of the outstanding Notes at their Outstanding Principal Amounts, together with accrued interest thereon insofar as it has not been cancelled; provided however that where the Special Event is an event falling under limb (A) of the definition of Tax Event, no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay the relevant Additional Amounts as referred to in limb (A) of the definition of Tax Event.

The Issuer, having satisfied itself that a Special Event has occurred, shall notify the Principal Paying Agent and the Noteholders in accordance with Condition 16 of the occurrence of such Special Event.

8.3 **Redemption at the option of the Issuer:** The Issuer may, at its option (but subject to Condition 8.7) and having given no less than thirty nor more than sixty days' notice to the Principal Paying Agent and the Noteholders in accordance with Condition 16 (which notice shall, subject to the Trigger Event Early Redemption Restrictions, be irrevocable), redeem all (but not some only) of the outstanding Notes on the relevant Optional Redemption Date at their Outstanding Principal Amounts, together with accrued interest (if any) thereon insofar as it has not been cancelled.

8.4 **Purchase:** The Issuer or any Subsidiary of the Issuer may (subject to Condition 8.7) purchase Notes in the open market or otherwise at any price (provided that, if they should be cancelled pursuant to Condition 8.5, they are purchased together with all unmatured Coupons and unexchanged Talons relating thereto).

8.5 **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (subject to Condition 8.7) be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8.6 **Substitution and variation:** Subject to Condition 8.7 and having given no less than thirty nor more than sixty days' notice to the Noteholders (in accordance with Condition 16) and the Principal Paying Agent, (i) if a Special Event has occurred and is continuing or (ii) in order to ensure the effectiveness and enforceability of Condition 18.4, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Capital Notes.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the Qualifying Capital Notes. Such substitution or variation will be effected without any cost or charge to the Noteholders.

8.7 **Conditions to redemption etc:** The Notes may only be redeemed, purchased, cancelled, substituted, varied or modified (as applicable) pursuant to Condition 8.2, Condition 8.3, Condition 8.4, Condition 8.5, Condition 8.6, Condition 15.1 or paragraph (ii) of Condition 15.2, as the case may be, if:

(i) in the case of any such substitution, variation or modification, the Issuer has notified the Relevant Regulator of, and the Relevant Regulator has not objected to, such substitution, variation or modification (as applicable) in accordance with the CRD IV requirements;

(ii) in the case of any such redemption, purchase or cancellation, the Issuer has notified the Relevant Regulator of, and the Relevant Regulator has granted its permission to, such redemption, purchase or cancellation (as applicable) in accordance with the CRD IV requirements (which, as at the Issue Date, are set out in Articles 77 and 78 of the CRR and Article 29 of the 2014 RTS);

(iii) in the case of any such redemption, the Trigger Event Early Redemption Restrictions do not apply to such redemption or to the redemption notice relating to such redemption (as applicable); and

(iv) in the case of a redemption of the Notes as a result of a Special Event, the Issuer has delivered a certificate signed by two of its directors to the Principal Paying Agent (and copies thereof will be available at the Principal Paying Agent's specified office during its normal business hours) not less than 5 Business Days prior to the date set for redemption that such Special Event has

occurred or will occur no more than ninety days following the date fixed for redemption, as the case may be.

Any refusal by the Relevant Regulator to grant its permission to any such redemption, purchase or cancellation (as applicable) pursuant to Condition 8.7(ii) will not constitute an event of default under the Notes.

In addition, if the Issuer has elected to substitute or vary the Notes pursuant to Condition 8.6 but prior to the relevant substitution or variation, as the case may be, a Trigger Event occurs, the relevant notice shall be automatically rescinded and shall be of no force and effect.

## 9. Payments

9.1 **Principal:** Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of the Note at the specified office of any Paying Agent outside the United States. Subject as provided in the Conditions, payments will be in euro by credit or transfer to a euro account of a bank that has access to the TARGET System specified by the payee in the European Union.

9.2 **Interest:** Payments of interest shall, subject to Condition 9.6 below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 9.1 above.

9.3 **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to Condition 10) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

9.4 **Unmatured Coupons void:** On the due date for redemption of any Note pursuant to Condition 8.2, Condition 8.3 or Condition 11, all unmatured Coupons and Talons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

9.5 **Payments on business days:** If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the Noteholder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

9.6 **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the specified office of any Paying Agent outside the United States.

**9.7** **Partial payments:** If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

9.8 **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, any Talon forming part of such Coupon Sheet may be exchanged at the specified office of the Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 10. Taxation

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature (together, **Taxes**) imposed or levied by or on behalf of the Kingdom of Denmark, or any political sub-division of, or any authority in, or of, the Kingdom of Denmark having power to tax, unless such withholding or deduction of the Taxes is required by law. In such event, in the case of a payment of interest only, the Issuer will pay such additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts received by the Couponholders after such withholding or deduction shall equal the amounts which would otherwise have been receivable in respect of the Coupons in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable in relation to any payment in respect of any Coupon:

(i) presented for payment in the Kingdom of Denmark; or

(ii) to, or to a third party on behalf of, a Couponholder who is liable for the Taxes in respect of such Coupon by reason of its having some connection with the Kingdom of Denmark other than the mere holding of such Coupon or receipt of interest in respect thereof; or

(iii) presented for payment more than 30 days after the Relevant Date except to the extent that a Couponholder would have been entitled to Additional Amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day.

## 11. Enforcement Events

11.1 **No events of default:** There are no events of default in respect of the Notes. Noteholders shall not be entitled at any time to file for bankruptcy or liquidation of the Issuer.

11.2 **Enforcement Events:** If an order is made or an effective resolution is passed for the bankruptcy or liquidation of the Issuer (an **Enforcement Event**), any Noteholder may prove or claim in such proceedings in respect of such Note, such claim being for payment of the Outstanding Principal Amount of such Note at the time of commencement of such bankruptcy or liquidation of the Issuer together with any interest accrued and unpaid on such Note (to the extent that the same is not cancelled in accordance with the terms of the Notes) from (and including) the Interest Payment Date immediately preceding the occurrence of such Enforcement Event and any other amounts payable on such Note (including any damages payable in respect thereof). Such claim shall rank as provided in Condition 4.

**11.3** **Enforcement of obligations:** Subject to Condition 11.1 and without prejudice to Condition 0, any Noteholder may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Notes, provided that the Issuer shall not by virtue of the institution of any proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

## 12. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

There shall not be included in any Coupon Sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 9 or any Talon which would be void pursuant to Condition 9.

## 13. Replacement of Notes and Coupons

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent or such other Paying Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders,

in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Coupons or further Coupons) and otherwise as the Issuer and the relevant Paying Agent may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 14. Appointment of Agents

The Issuing Agent, Principal Paying Agent and the Paying Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuing Agent, Principal Paying Agent and the Paying Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer is entitled (a) to vary or terminate the appointment of the Issuing Agent, the Principal Paying Agent or any other Paying Agent, (b) to appoint additional or other Paying Agents and/or (c) to approve any changes in the specified office through which any such entity acts, provided that: (i) the Issuer shall at all times maintain an Issuing Agent and a Principal Paying Agent, and (ii) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

## 15. Meetings of Noteholders; Modification

15.1 **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of any modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in the Outstanding Principal Amounts of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in the Outstanding Principal Amounts of the Notes for the time being outstanding, or at any adjourned meeting, one or more persons being or representing Noteholders whatever the Outstanding Principal Amounts of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including, *inter alia*, (i) modifying any redemption date or any date for payment of interest under the Notes, (ii) reducing or cancelling the Outstanding Principal Amounts for the Notes or the Rate of Interest, (iii) altering the currency of payment of the Notes or the Coupons, (iv) altering the provisions of Condition 7, or (v) modifying the provisions concerning the quorum required at any meeting of holders) , the quorum shall be one or more persons holding or representing not less than two-thirds of the Outstanding Principal Amounts of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the Outstanding Principal Amounts of the Notes for the time being outstanding.

The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-quarters of the votes cast on such resolution or (ii) a resolution in writing signed by or on behalf of the holders of not less than three-quarters in Outstanding Principal Amounts of the Notes for the time being outstanding shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at the meeting, and whether or not they voted on the resolution, and on all Couponholders.

Any modification to these Conditions pursuant to the operation of the provisions described in this Condition 15.1 is subject to Condition 8.7.

**15.2** **Modification of Notes:** The Issuer may make, without the consent of the Noteholders or Couponholders:

(i) subject to Condition 8.7, any modification (except such modifications in respect of which an increased quorum is required as mentioned in Condition 15.1 above) of the Notes, the Coupons, the Agency Agreement and/or the Deed of Covenant which is, in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders; and/or

(ii) any modification of the Notes, the Coupons, the Agency Agreement and/or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest or proven error.

Any such modification to the Agency Agreement shall be subject to the agreement of the Principal Paying Agent. Subject as provided in the Conditions, no other modification may be made to the Notes, the Coupons or the Deed of Covenant except with the sanction of an Extraordinary Resolution.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

## 16. Notices

Notices to the Noteholders will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of the London Stock Exchange (so long as the Notes are listed on the Official List of the London Stock Exchange and admitted to trading on its Regulated Market) or any other stock exchange on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 16.

## 17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition in respect of a Note under the Contracts (Rights of Third Parties) Act 1999.

## 18. Governing Law and Jurisdiction; Statutory Resolution Power

18.1 **Governing Law:** The Notes, the Agency Agreement and the Deed of Covenant, and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law, save for the provisions of Condition 4, Condition 6, Condition 7, Condition 8.2 and Condition 11 which are governed by, and will be construed in accordance with, the laws of the Kingdom of Denmark.

18.2 **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes or Coupons and, accordingly, any legal action or proceedings arising out of or in connection with the Notes or Coupons (**Proceedings**) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and Couponholders and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

18.3 **Service of Process:** The Issuer irrevocably appoints Kromann Reumert, 65 St Paul's Churchyard, London EC4M 8AB, England as its agent in England to receive service of process in any Proceedings in England based on any of the Notes or Coupons. If, for any reason, the Issuer does not have such agent in England, it will promptly appoint a substitute process agent and notify the Noteholders in accordance with Condition 16 of such appointment. Nothing herein shall affect the right to service process in any other manner permitted by law.

18.4 **Statutory Resolution Power:** Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Noteholder (which, for the purposes of this Condition 18.4, includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Noteholder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(i) the effect of the exercise of any Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:

(a) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;

(b) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into Ordinary Shares, other Securities or other obligations of the Issuer or another Person, and the issue to or conferral on the Noteholder of such Ordinary Shares, Securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;

(c) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and

(d) the amendment or alteration of the perpetual nature of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

(ii) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Danish Statutory Loss Absorption Powers by the Relevant Resolution Authority.

## USE OF PROCEEDS

The issue of the Notes will form part of the Issuer's capital base and the net proceeds of the issue of the Notes will be applied by the Issuer for general corporate purposes.

# LEGISLATIVE AND REGULATORY REVIEW

## Systemically Important Financial Institutions

In June 2014, the Danish FSA appointed six Danish SIFIs: Danske Bank A/S (**Danske**), Nykredit Realkredit A/S (**Nykredit**), Nordea Bank Danmark A/S, Jyske Bank A/S, the Issuer and DLR Kredit A/S. The SIFIs were identified in accordance with Section 308 of the Danish Financial Business Act. As a consequence of Nordea Bank Danmark A/S's merger with Nordea Bank AB (publ) (as the continuing entity), Nordea Kredit Realkreditaktieselskab was on 2nd January, 2017 appointed a SIFI by the Danish FSA. In June 2015, June 2016 and June 2017, the Issuer was re-appointed as a SIFI. Institution-specific SIFI buffers (the systemic risk buffers) between 1 and 3 per cent. were set according to quantitative SIFI criteria and will be phased in gradually from 2015 to 2019. The additional CET1 (as defined below) requirement of the Group, beyond the requirement as per CRD IV (the SIFI buffer), was set at 1 per cent.

## Danish implementation of the CRD IV Directive and CRR

In line with other European banks, Danish banks must also comply with the CRD IV Directive and the CRR. Both have come into force in Denmark in 2014, the CRD IV Directive through implementation of the Danish Financial Business Act, whereas the CRR applies directly without implementation in national law. The phase-in of the capital requirements is expected to follow the path in the CRR until 2018 unless already required under applicable Danish legislation. The CRR and CRD IV Directive framework implements, among other things, the Basel III reforms in the EU covering a wide range of prudential requirements, including capital requirements, stricter and aligned definitions of capital, REA, leverage ratio, large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual Pillar II risk assessment) and other measures such as the combined capital buffer requirements, SIFI definition, governance and remuneration requirements. The EBA will propose (or in some cases, has already proposed) detailed rules through binding technical standards during the period from 2013 to 2017 for many areas including, *inter alia*, liquidity requirements and certain aspects of capital requirements.

### *Capital requirements*

Under the CRD IV Directive and the CRR, the minimum capital requirement for Common Equity Tier 1 capital (**CET1** or **Common Equity Tier 1 Capital**) will be phased in gradually to 9.5 per cent. of REA over the period from 2014 until 2019. The 9.5 per cent. requirement includes a capital conservation buffer requirement of 2.5 per cent. and a counter-cyclical buffer requirement of up to 2.5 per cent. in addition to the minimum requirement of 4.5 per cent. The counter-cyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction. If a bank does not maintain these buffers, in excess of the 4.5 per cent. CET1 minimum requirement, certain restrictions can be imposed, including restrictions on its ability to pay dividends and make other payments.

For each SIFI there will be an additional CET1 capital requirement, a so-called SIFI buffer or systemic risk buffer, on top of the minimum requirements. The SIFI buffer is set individually on a national level according to the systemic importance of the bank. Apart from the breakdown of capital into the minimum CET1 requirement of 4.5 per cent. and the combined buffer requirement (capital conservation, counter-cyclical and SIFI buffer), the CRD IV Directive distinguishes between Pillar I and Pillar II capital requirements. The Pillar I capital requirement was fully implemented by 2015 and set at 8 per cent. of REA, consisting of the minimum of 4.5 per cent. of CET1, up to 1.5 per cent. of Additional Tier 1 Capital and up to 2 per cent. of Tier 2 capital. The Pillar II requirement is the difference between an institution's individual solvency requirement and the 8 per cent. Pillar I requirement. In Denmark, the DFSA pile the Pillar II requirement up on top of the Pillar I requirement of 8 per cent. as a cushion below the combined buffers.

In addition to the higher capital requirements, the CRR has a stricter criteria for determining the quality of capital that may count as Additional Tier 1 Capital and Tier 2 capital. Additional Tier 1 Capital must therefore be converted into CET1 at a trigger point of 5.125 per cent. of CET1, and Additional Tier 1 Capital and Tier 2 capital must have no incentive to be redeemed before the contractual maturity, which means any capital including step-up

structures is not accepted as Tier 2 under the CRR. Furthermore, CRR also implies stricter requirements for the calculation of REA.

The CRR includes grandfathering rules for Additional Tier 1 Capital instruments and Tier 2 instruments issued before 31st December, 2011. Any Additional Tier 1 Capital instruments or Tier 2 instruments issued after 31st December, 2011, which are not compliant with CRR will not be eligible for grandfathering under the CRR. The phasing out of old Additional Tier 1 Capital instruments and Tier 2 capital instruments eligible for grandfathering are based on a stepwise reduction of 20 per cent. in 2014 and subsequent 10 per cent. annual reductions until 2022, by which point any such capital instruments will have been completely phased out. The grandfathering bucket for each of the years from 2014 until 2021 is calculated based on the total nominal amount of outstanding and grandfathering compliant Additional Tier 1 Capital instruments and Tier 2 instruments as per 31st December, 2012.

The CRD IV Directive and the CRR include a requirement for credit institutions to calculate, report and monitor their leverage ratios, defined as their Tier 1 Capital as a percentage of the sum of the exposure values of all assets and off-balance sheet items. The leverage ratio is a risk-neutral measure for the maximum extent of the balance-sheet leverage. A high leverage ratio may cause an institution to be exposed to risks linked to sudden changes in market conditions and significant price falls on assets with ensuing losses. According to the CRR Amendment Proposal, the leverage ratio requirement will be set at a minimum level of 3 per cent. See further the risk factor "*Impact of regulatory changes*".

***Liquidity requirements***

The NSFR is intended to ensure a sound funding structure by promoting an increase in long-dated funding of financial institutions. The NSFR stipulates that at all times financial institutions must have stable funding equal to the amount of their illiquid assets for one year ahead. The focus of the NSFR is to minimise the duration mismatch in the balance sheets of the relevant bank.

## DESCRIPTION OF THE ISSUER

### INTRODUCTION

The Sydbank Group is one of Denmark's largest banking groups (according to the Danish Bankers Association) with assets of DKK 134.3 billion (EUR 18.0 billion) at 31st March, 2018. Sydbank has been created via a string of mergers and acquisitions, the most recent in December 2013 when Sydbank acquired DiBa Bank Group.

Sydbank's head office is situated in Aabenraa – a small provincial town in Southern Jutland approximately 25 kilometres north of the Danish-German border. Sydbank has 62 branches throughout Denmark and 3 in Germany. The number of branches is adjusted on an ongoing basis. As at 31st March, 2018, the Group had a total of 2,088 full-time employees.

Depending on customer segment and type of business, Sydbank has a market share between 6 and 13 per cent. – largest within the SME segment (corporate clients).

### THE DANISH BANKING SECTOR

The Danish banking sector is highly consolidated. The two financial conglomerates, Danske Bank and Nordea dominate the sector. Both are pan-Scandinavian banks. The two market leaders hold approximately 67 per cent. of total loans in the Danish banking sector – Danske Bank 55 per cent. and Nordea 12 per cent. The next group of banks is Jyske Bank, with a market share of approximately 9 per cent., Nykredit Bank with a market share of approximately 5 per cent. and Sydbank with a market share of approximately 5 per cent. Jyske Bank and Sydbank both have regional origins but have established a national brand structure. The rest of the market is fragmented with many small and medium-sized banks, typically with a strong local focus.

The five largest banks in Denmark have combined approximately 86 per cent. of the total loans among Danish commercial banks and savings banks.

At the end of 2016, Denmark had 78 commercial banks and savings banks.

Foreign banks cover only a minor – albeit rising – share of the Danish market. 28 foreign credit institutions have established branches in Denmark. In addition a few foreign banks, especially Scandinavian, have bought medium-sized Danish banks, but kept the local brands.

Total balance sheet of the Danish-banking sector is approximately DKK 3,799 billion. This represents 30 per cent. of the overall balance sheet of the Danish financial sector, and commercial banks and savings banks make up one of the largest parts of the financial sector in Denmark.

The other large sector is mortgage credit, with 30 per cent. of the overall balance sheet. Nykredit and Realkredit Danmark (part of Danske Bank Group) dominate the mortgage credit market. Combined they hold approximately 70 per cent. of the market. Nykredit is the only remaining independent mortgage institution in Denmark. In 2003 Nykredit acquired Totalkredit (owned by over 100 small and medium sized banks – including Sydbank), the second largest independent mortgage institution.

Despite the relatively high concentration in the Danish banking sector, competition is fierce and effective. This is mainly due to the special Danish banking structure, where many small and medium-sized local banks compete intensively against the few national banks. A well-developed joint infrastructure in the field of cash management characterised by solidarity has contributed to maintaining the Danish banking structure, distinguished by many independent units.

In addition foreign competitors trying to capture market shares intensifies competition.

## DESCRIPTION OF THE SYDBANK GROUP

### History

Although Sydbank's roots are more than 100 years old, the name and legal entity, Sydbank, was first established on 15th July, 1970 (incorporated for an indefinite amount of time) through a merger of four local banks in Southern Jutland. In the 1980s, the Bank began expanding its domestic branch network outside Southern Jutland.

Between 1980 and 1989, the Bank established a branch in Copenhagen (in 1981), merged with Aarhus Bank (in 1983) and with Fynske Bank (in 1984) and partially acquired two Copenhagen-based banks, 6. juli Banken (in 1987) and Fællesbanken (in 1988). Outside Denmark, Sydbank established branches in Germany in 1984 and 1985.

In 1990, the Bank merged with Sparekassen Sønderjylland, the major savings bank in Southern Jutland, which consolidated the leading market position of the merged entity in that area. The legal name of the merged bank was Sydbank Sønderjylland A/S, organised as a subsidiary of Syd-Sønderjylland Holding A/S, to comply with then applicable statutory requirements.

On 1st January, 1994, Sydbank acquired the sound, basic banking activities of Varde Bank (which was then in financial difficulties) and, on 1st May, 1994, it acquired the basic banking activities of Aktivbanken from its insurance company parent, Topdanmark. Following these acquisitions, Sydbank became the fourth largest bank in Denmark. The complex holding company structure was abandoned as from 1st January, 1995 and, as a result, the name of the Bank was changed to Sydbank A/S.

The purchases of Varde Bank's and Aktivbanken's core businesses effectively doubled the Bank's business volume as well as the number of its staff. In order to bolster its capital base following the acquisitions, the Bank made two separate issues of new share capital. Following the acquisitions, the Bank consciously reduced its customer base, reduced costs and made excess provisions compared with the sector in order to replenish its limited accumulated loan loss provisions. The dominating objectives of these measures were stabilisation and consolidation.

In early 1997, management of the Bank embarked on a series of measures aimed at growing the Bank's business in line with the rest of the Danish banking sector. Since then, operating profits from the acquisitions have become increasingly visible and customer departures have been replaced by customer influx. Management believes that the Bank is currently in a strong market position and has good potential of realising earnings above the sector average in future periods.

On 22nd August, 2000, Sydbank obtained a rating from Moody's.

In May 2002 Sydbank merged with Egnsbank Fyn, a small local bank in Odense.

On 1st April, 2007, Sydbank's third German branch opened in Kiel. The branch is based at the acquired retail banking segment of the Kiel based bank, Bank Compagnie Nord.

In the first quarter of 2008 Sydbank acquired bankTrelleborg, a small local bank in Zealand which on 1st February, 2008 became a wholly owned subsidiary of the Sydbank Group and which on 27th March, 2008 merged with Sydbank with accounting effect as of 1st February, 2008.

On 1st January, 2012, Sydbank acquired the private banking activities of Gries & Heissel Bankiers AG.

As a consequence of the reorganisation of the Group's foreign banking activities towards year-end 2011, the subsidiary bank Sydbank (Schweiz) AG has been wound up.

On 2nd November, 2012, Sydbank acquired Tønder Bank A/S, which had approximately 18,000 clients and a balance sheet total of around DKK 2.3 billion. As a result of the takeover Sydbank strengthened its position as the region's main bank in Southern Jutland.

On 19th December, 2013, Sydbank acquired DiBa Bank A/S, after the expiration of a tender period, which started in November when Sydbank submitted a public offer to buy all of the shares of DiBa Bank A/S for DKK 145 per share. With the acquisition of DiBa Bank, Sydbank has strengthened its presence in Zealand and Bornholm.

As a result the Group's bank loan and advances rose by approximately DKK 2.3 billion and deposits by approximately DKK 3.9 billion.

On 31st March, 2015 Sydbank acquired Syd Fund Management A/S for DKK 44 million, which is the investment management company of the investment fund Investeringsforeningen Sydinvest and several other funds.

**Legal status and Group description**

Sydbank A/S is a public limited liability bank, registered in the Kingdom of Denmark with registration number CVR No DK 1262 6509. Although there are no limitations on the transfer of shares in the Bank, individual shareholders are only permitted to vote in respect of a maximum of 20,000 shares at general meetings of the Bank.

In addition to the dominant banking activities of Sydbank, the Sydbank Group includes the wholly-owned undertakings Ejendomsselskabet af 1. juni 1986 A/S, DiBa A/S and Syd Fund Management A/S. The share of these undertakings of the total assets of the Sydbank Group is 2 per cent.

In addition, Sydbank has significant ownership interests in Bankdata (32 per cent.), the Bank's information technology support company which also provides systems solutions to 10 other Danish banks.

The Bank's registered office and principal place of business is Peberlyk 4, DK-6200 Aabenraa, Denmark, telephone number +45 74 37 37 37.

**Ownership**

Sydbank is listed on Nasdaq Copenhagen (www.nasdaqomxnordic.com) and has approximately 106,000 shareholders. One shareholder – Norges Bank – has informed the Bank that it owns more than 5 per cent. of the share capital.

**Business areas**

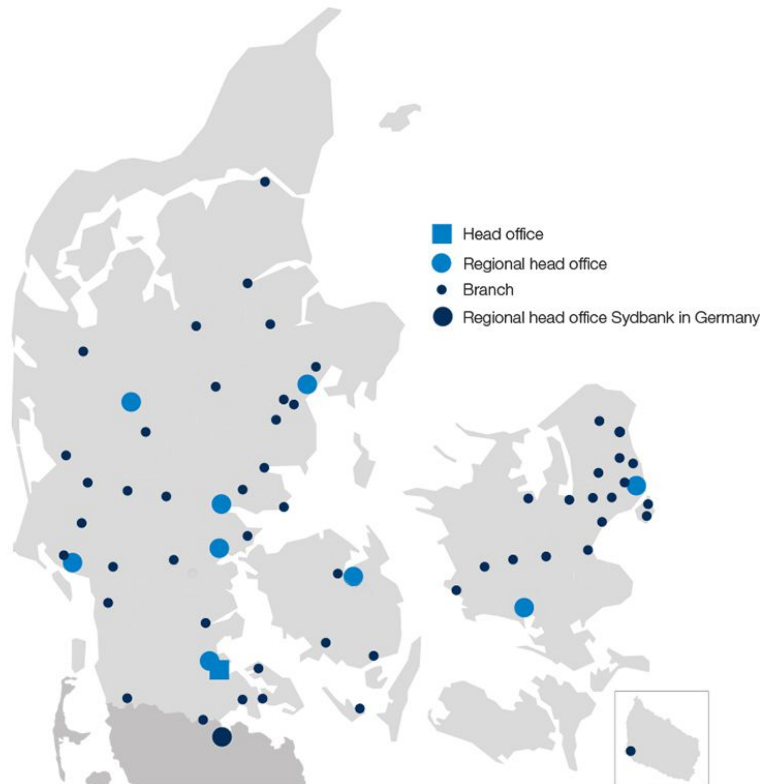
The range of products the Bank offers to its customers include all normal banking and pension scheme products. Mortgage credit loans and insurance products are offered by several business partners and sub-suppliers of the Bank including, in the insurance area; Topdanmark, Letpension and PFA and, in the mortgage credit area, Totalkredit, Nykredit and DLR.

Sydbank maintains a special knowledge and competence in several niche areas, such as pensions and investments, managing payment flows and risk management for corporate clients. In the unit trust area Sydbank primarily uses Sydinvest and BankInvest as partners/sub-suppliers.

Sydbank is competitive within electronic banking solutions and self-service concepts. Its products in these areas include NetBank (an Internet bank), Online Banking for corporate clients and MobilBank (on smartphones). In the autumn of 2016 Sydbank became part of the MobilePay cooperation.

**Geographical location**

The map below shows the location of the Bank's head office and its regional and branch offices.




Sydbank's customer-orientated activities in Denmark are handled in 9 regions which provide full service to all customers. The Danish regions are organised in corporate, private banking and retail sections to service the Bank's smaller branches. Moreover Sydbank has a separate function dedicated to agricultural clients. Administrative tasks are carried out by Customer Secretariats. In addition to the regional head office, a typical region has 3-11 branches and a staff of approximately 130.

The total number of branches in Denmark amounts to 62. The number of branches is adapted on an ongoing basis on the basis of the clients' use of them. In addition, there are three branches in Germany (one in Flensburg, one in Kiel, and one in Hamburg).

Sydbank's head office is situated in Aabenraa, a small provincial town approximately 25 kilometres north of the Danish-German border. This allows it to maintain a visible link with the core area in the southern part of Jutland and also reflects its historical roots in the area.

**Vision and objectives**

Sydbank is and intends to continue to be an independent nationwide Danish all-round bank operating for the benefit of its customers, local communities, shareholders and employees. Sydbank intends to have a decentralised structure regarding customers and a centralised structure regarding risk and cost management. Sydbank's fundamental values are based on its belief that excellence (via highly skilled employees who know their customers and their needs, show initiative and take responsibility) and relationships (via an open and honest dialogue with customers) create value (customers experience that being a Sydbank customer adds value and they are met by dynamic and resourceful employees). These values are reflected in the way Sydbank services the financial needs of its customers.

In most of the 1980s and 1990s, Sydbank participated in the consolidation of small and medium- sized financial institutions in Denmark and based on its fundamental values, it is the Bank's ambition to participate in further consolidation of small and medium-sized financial institutions. Most recently in 2013 Sydbank participated in the consolidation when it acquired DiBa Bank.

The Bank's customer and product strategies are focused on servicing profitably (whether directly or through business partners and sub-suppliers) its customers' needs for finance, investment, hedging and cash management.

Maintaining the joint Danish payment systems – interbank and securities exchange and settlement systems – is one important element of Sydbank's strategy. This is underlined by the Bank's participation in the National Banks in Denmark (**LDB**), which is a private organisation for banks. The members of LDB are Arbejdernes Landsbank A/S, Nykredit Bank A/S, Spar Nord Bank A/S and Sydbank A/S.

The Bank's investment in the information technology area is undertaken both through active participation in the joint Danish payment systems and partly through its participation with 10 other Danish financial institutions in Bankdata, which develops basic information technology systems for financial institutions. Bankdata has an operating agreement with JN Data in Silkeborg.

*Goals and competitive parameters*

Sydbank intends to increase its market share primarily in earnings, but also in business volume and customers. The Bank aims to attract more customers in both the youth and senior segments. Closeness and availability are key competitive parameters for Sydbank in seeking to increase its market share. The Bank aims to ensure that using Sydbank should be a straightforward experience to the customers.

In this connection, Sydbank intends to develop and improve the efficiency of its delivery channels targeted at corporate and retail customers in order to meet their wish for increased availability and in order to increase the degree of self-service thus making time available for advisory customer services.

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 with telephone openings hours all week between 8am and 8pm, except for a few bank holidays.

Sydbank aims to be able to maintain strong long-term relationships with clients. In 2015 the Bank launched Sydbank Favorit, a loyalty programme for retail clients. Sydbank Favorit is based on up to 10 optional benefits while at the same time rewarding clients for loyalty and long-term relationships with the Bank through a number of discounts.

The Bank will continue to attach great importance to offering personal service to its customers. Therefore, the Bank will maintain a relatively large low-cost branch network through the use of both part-time and small branches (with only 2-4 employees). At the same time, the Bank aims to expand its electronic customer channels including the use of card systems and machines and online banking systems. IT is an essential part of the Bank's business model. Sydbank sees technology as a means to bring the Bank closer to clients and reduce complexity thus creating a simple and seamless customer experience. The Bank's business model is adapted regularly to meet clients' increasing demand for self-service and advisory services outside the traditional branch. Sydbank works closely with Bankdata on the development of new IT systems. The focus is on the digitisation of processes, creating a better online customer experience and even better capital market systems. These strategic issues will be of great significance in 2018 and onward.

*Customer satisfaction*

Sydbank considers a high degree of customer satisfaction to be an important competitive parameter. Management believes that its retail and corporate customers (particularly in its core areas) have a high degree of loyalty and that they are generally satisfied with the Bank.

Sydbank's objective is to maintain a top 3 ranking among the 6 largest banks in terms of customer satisfaction.

The 2017 Aalund Research poll shows that Sydbank is ranked fourth with respect to satisfaction and loyalty of corporate clients among the largest banks in the sector.

The annual EPSI poll of retail clients' satisfaction with their bank showed that Sydbank is ranked fifth among the largest Danish Banks.

*Cash management*

Domestic cash management is centred in Nets – one of the cornerstones of the joint Danish payment systems. Like other Danish banks, Sydbank issues debit cards to its customers through Dankort. The Dankort card can be combined with Visa and, as such, it can also be used abroad. Sydbank has issued more than 272,000 Visa/Dankort cards, equal to a market share of approximately five per cent. The Visa/Dankort card can be used as a purchase card at 84,000 points-of-sale in Denmark and for making withdrawals in approximately 2,300 ATMs in Denmark.

Sydbank also offers a versatile MasterCard credit card programme as well as a MasterCard debit card. At the end of January 2018 Sydbank MasterCard credit cards in circulation numbered more than 60,000. The debit card was issued to more than 135,000 clients. Sydbank MasterCards are delivered through Nets.

Sydbank's activities in its branches in Northern Germany are aimed at small and medium-sized businesses and at retail customers. The corporate activities are concentrated around cash management and small transaction credits. The Bank has generated considerable expertise and experience within cash management between Denmark and Germany, which makes it an attractive business partner to Danish businesses with activities in Germany. In addition, Sydbank participates in the German MultiCash system. MultiCash is an online banking system developed for cash management by a joint group of German banks.

In 1999, Sydbank joined the international Connector Partnership for efficient cross-border cash management. The partnership represents an overall branch network of approximately 25,000. The agreement has resulted in significantly improved competitiveness within international cash management and, through this partnership, Sydbank is able to match the offers of larger financial institutions.

Sydbank also participates in the Single Euro Payment Area (**SEPA**).

*Risk Management*

The overall risk management is supported by individual risk committees that report directly to the Group Executive Management. The risk committees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risk. Committees have been set up for each of the risk areas: credit risk, liquidity risk, market risk and operational risk as well as IT Security. The committees ensure that the Bank's business units proactively carry out their operations to counter identified risks. The Groups Chief Risk Officer (the **CRO**) is a member of all risk committees. The committees consist of a Group Executive Management member (chairman), the CRO and a broad composition of other members.

The committees meet as a minimum every quarter and prepare as a minimum once a year a risk analysis which is used in connection with the annual overall risk assessment of the Group.

*Sydbank Markets and investment centres*

Sydbank believes that investments will continue to be a high-growth area in the years ahead as a consequence of increasing pension savings, outsourcing of asset management and continued increasing demand from personal investors for investment products.

As a result, the Bank intends to continue to focus on asset management and securities trading. One important competitive parameter will be its ability to provide an expert and value-adding advisory service. Internet technology is expected to play an important role in this service and Sydbank offers its customers the opportunity to buy and sell a number of Danish and foreign shares and bonds at real time prices via NetBank.

In the area of retail customers, Sydbank's objective is to offer decentralised advisory services in local investment centres. The local investment centres are an integrated part of the private banking organization. There is a physical private banking centre in each of the Bank's 9 regions. This highlights the personal service and ensures the opportunity of tailoring investment solutions to the individual customer's needs.

Asset Management undertakes traditional asset management responsibilities, such as the management of the Bank's pooled pension plans and individual portfolio management mandates.

## OVERVIEW OF FINANCIAL PERFORMANCE

*Operating result*

The tables below set out an analysis of the Bank's consolidated profit and loss account and certain key figures and ratios derived from its financial statements. The consolidated financial statements for the years ended 31st December, 2015, 2016 and 2017 and the unaudited consolidated interim financial statements for the three months ended 31st March 2017 and 2018 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU.

| | Year ended 31st December, | | | Three months ended 31st March, | |
|---|---|---|---|---|---|
| | 2015 DKK million | 2016 DKK million | 2017 DKK million | 2017 DKK million | 2018 DKK million |
| Core income | 4,329 | 4,198 | 4,167 | 1,053 | 1,053 |
| Trading income | 215 | 237 | 233 | 93 | 55 |
| Total income | 4,544 | 4,435 | 4,400 | 1,146 | 1,108 |
| Costs, core earnings | (2,675) | (2,590) | (2,637) | (691) | (703) |
| Impairment of loans and advances etc | (316) | (87) | 51 | (11) | 13 |
| Core earnings | 1,553 | 1,758 | 1,814 | 444 | 418 |
| Investment portfolios earnings | (80) | 104 | 182 | 136 | (12) |
| Profit before non-recurring items | 1,473 | 1,862 | 1,996 | 580 | 406 |
| Non-recurring items, net | - | 7 | (40) | (6) | 105 |
| Profit before tax | 1,473 | 1,869 | 1,956 | 574 | 511 |
| Tax | (325) | (397) | (425) | (127) | (80) |
| Profit after tax | 1,148 | 1,472 | 1,531 | 447 | 431 |

**Key Figures and Ratios**

| | Year ended 31st December, | | | Three months ended 31st March, | |
|---|---|---|---|---|---|
| | 2015 DKK million | 2016 DKK million | 2017 DKK million | 2017 DKK million | 2018 DKK million |
| Total assets | 142,742 | 146,686 | 138,494 | 137,552 | 134,348 |
| Equity capital (including subordinated debt and hybrid capital) | 13,557 | 13,881 | 13,780 | 13,530 | 13,205 |
| Pre-tax profit as % per annum of average shareholders' equity | 13.3% | 16.6% | 16.8% | 19.8% | 17.6% |
| Common Equity Tier 1 Capital ratio | 14.5% | 16.1% | 17.3% | 15.6% | 16.6% |
| Tier 1 capital ratio | 15.9% | 17.4% | 17.7% | 16.0% | 17.0% |
| Capital ratio | 17.6% | 19.2% | 20.8% | 18.1% | 20.2% |
| Loans | 84,458 | 83,283 | 69,560 | 78,965 | 67,932 |
| Deposits | 91,909 | 94,934 | 99,231 | 95,367 | 97,786 |
| Number of full-time staff at year end | 2,044 | 2,037 | 2,064 | 2,062 | 2,088 |

*Capital adequacy*

The Group's capital targets are a Common Equity Tier 1 capital ratio of around 14.0 per cent. and a total capital ratio of around 18.0 per cent.. 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 total capital ratio of the Sydbank Group was 20.2 per cent. at 31st March, 2018 and the Common Equity Tier 1 capital ratio was 16.6 per cent..

*Share Capital*

In 1999, Sydbank reduced its share capital from DKK 871 million to DKK 825 million, in 2000, by a further DKK 40 million, in 2001, by a further DKK 35 million, in 2004 by a further DKK 50 million and in 2007 by a further DKK 25 million. In September 2009 Sydbank increased its share capital by DKK 67.5 million. In May 2016 Sydbank reduced its share capital by DKK 20.1 million by cancelling shares which were acquired during the Bank's share buyback programme in 2015. In May 2017 Sydbank further reduced its share capital by DKK 18.8 million by cancelling shares acquired during the Bank's share buyback programme in 2016. The Bank's share capital was DKK 703.6 million as at 31st March, 2018.

In April 2018 Sydbank further reduced its share capital by DKK 26.9 million by cancelling shares which were acquired during the Bank's share buyback programme in 2017. As a result, the Bank's share capital was DKK 676.7 million by end of April, 2018. The Group has initiated a new share buyback programme of DKK 500 million in 2018. The share buyback is part of the capital adjustment to optimise the capital structure in accordance with the Group's capital policy.

The Board of Directors can, if so directed by the shareholder committee, increase the share capital by up to DKK 72.2 million (until 1st March, 2021).

*Loan and guarantee portfolio*

The principal lending activity of the Sydbank Group consists of loans and guarantees to private individuals and to a range of Danish corporate clients.

The table below sets out the Sydbank Group's lending by client categories as a percentage of total lending at 31st December in each of the years indicated:

**Sydbank Group loan and guarantee portfolio (per cent.)**

| | **2016** | **2017** |
|---|---|---|
| | **%** | **%** |
| Agriculture, hunting, forestry and fisheries | 5.3 | 5.5 |
| Manufacturing and extraction of raw materials | 8.5 | 10.8 |
| Energy supply etc. | 2.9 | 3.2 |
| Building and construction | 4.0 | 5.1 |
| Trade | 12.9 | 14.7 |
| Transport, hotels and restaurants | 3.7 | 4.0 |
| Information and communication | 0.4 | 0.6 |
| Finance and insurance | 12.4 | 12.9 |
| Real property | 7.0 | 6.9 |
| Other corporate lending | 4.2 | 4.0 |
| **Total corporate lending** | **61.3** | **67.7** |
| Public authorities | 0.8 | 0.4 |
| Retail clients | 37.9 | 31.9 |
| **Total** | **100.0** | **100.0** |

The table below shows the breakdown of the Sydbank Group's loans by remaining maturity at 31st December in each of the years indicated.

**Sydbank Group, loan maturity breakdown**

| | 2015 DKK million | 2016 DKK million | 2017 DKK million |
|---|---|---|---|
| On demand | 14,465 | 13,926 | 13,820 |
| 3 months or less | 11,568 | 7,327 | 6,501 |
| Over 3 months not exceeding 1 year | 24,722 | 24,489 | 23,454 |
| Over 1 year not exceeding 5 years | 15,396 | 15,823 | 15,031 |
| Over 5 years | 18,307 | 21,718 | 10,754 |
| Total loans | 84,458 | 83,283 | 69,560 |

As at 31st March, 2018, the sum of large exposures (i.e. exposures greater than 10 per cent. of the Bank's capital base) as a percentage of the capital base was 30.3 per cent. According to legislation, the sum of large exposures must be below 175 per cent. of the capital base.

As at 31st March, 2018, the accumulated impairment ratio was 4.0 per cent. Sydbank has approximately 480,000 clients.

*Lending and credit policy*

The Bank seeks to manage its credit risk centrally with all credit approvals being subject to close supervision and a clearly defined approval process. In order to ensure this close supervision, written guidelines by way of an overall credit policy and a detailed procedures manual have been prepared.

The Credit Committee is responsible for credits and the General Manager and Assistant General Manager of credits, is responsible for all issues regarding credits and procedures manuals.

*Credit risk models*

The Group is continuously working to further develop the classification and rating models that are applied to evaluate and classify existing as well as potential retail and corporate exposures.

Model development is based on the recommendations submitted by the Basel Committee on the internal ratings-based approach to specialised lending exposures.

With regard to retail exposures, the Group uses the advanced IRB approach under which the Group estimates the probability of default (**PD**), loss given defaults (**LGD**) and the utilisation of credit facilities (**CF**). With regard to corporate exposures the Group uses the foundation IRB approach under which the Group estimates only PD and not LGD and CF.

At year-end 2016 a project was launched with the objective of gaining approval to apply the advanced IRB approach with regard to corporate exposures in 2019.

*Approval of exposures*

The Executive Management has set out written approval authority to the individual employees. The approval authority has been adapted to the function and to the working experience of each employee.

Documentation relating to the debtor's affairs, including accounting information for corporate debtors, as well as a description of any security to be provided, must be provided as part of the credit approval process in respect of all exposures.

*Supervision*

In addition to the Bank's Internal Audit Department, the quality of the credit portfolio is monitored by Risk Follow-Up, a department organised under the Bank's Risk Department. Risk Follow-up monitors the credit quality analyses of the Group's new exposures as well as regular random sampling of the retail and corporate client portfolios. The controllers of the Risk Department also supervise the documentary quality, perfection of security, registrations and administrative procedure manuals of the Bank.

*Industry diversification*

According to the Bank's credit policy, the Bank's corporate credit portfolio should reflect the commercial structure in the society and the individual industries. However, the composition of the portfolio should not deviate significantly from the industry spread of the financial institutions similar to the Bank.

The Bank's Credit Department continuously monitors the development of individual industries and re-evaluates once a year the limits of the Bank's total credit to the most significant types of industries.

*Consolidation and large exposures*

Exposures with inter-connected customers are considered as one. According to the Bank's credit policy, the Bank does not wish to depend on individual, large customers. Therefore, it has been decided that the 10 largest exposures (consolidated) should not exceed a maximum of 10 per cent. of the total credit portfolio.

*Credit loss*

Large exposures are continuously evaluated with a view to assessing the impairment charges needed. Individual impairment charges taken on minor exposures are supplemented with grouped impairment charges.

*Sources of funds*

The Bank's principal source of funding is customer deposits which accounted for 73 per cent. of its total funds at 31st March, 2018. Other sources of funds include equity, subordinated debt and interbank borrowings.

The table below sets out a breakdown of the Bank's sources of funding at the end of each of the periods in each of the years indicated.

**Sydbank Group funding sources**

| | **31st December,** | | | | | | **31st March,** | |
|---|---|---|---|---|---|---|---|---|
| | **2015 DKK million** | **%** | **2016 DKK million** | **%** | **2017 DKK million** | **%** | **2018 DKK million** | **%** |
| Equity | 11,427 | 8 | 11,757 | 8 | 11,926 | 9 | 11,349 | 8 |
| Subordinated loans | 2,130 | 2 | 2,124 | 1 | 1,854 | 1 | 1,856 | 1 |
| Deposits* | 91,909 | 64 | 94,934 | 65 | 99,231 | 72 | 97,786 | 73 |
| **Core funding** | **105,466** | **74** | **108,815** | **74** | **113,011** | **82** | **110,991** | **82** |
| Senior debt | 3,727 | 3 | 3,714 | 3 | 3,722 | 3 | 3,725 | 3 |
| Interbank funding** | 17,769 | 12 | 17,520 | 12 | 5,913 | 4 | 5,321 | 4 |
| Other liabilities | 15,780 | 11 | 16,637 | 11 | 15,848 | 11 | 14,311 | 11 |
| **Market funding** | **37,276** | **26** | **37,871** | **26** | **25,483** | **18** | **23,357** | **18** |
| **Total funds** | **142,742** | **100** | **146,686** | **100** | **138,494** | **100** | **134,348** | **100** |

* Pooled schemes deposits included.

** Repo transactions included.

The Bank's agreement on joint funding with Totalkredit was changed effective as of 1st January, 2017. As a consequence of the amendment of the agreement, funded mortgage-like loans are no longer recognised in the Group's balance sheet. At 31st December, 2017 funded mortgage-like loans represented DKK 10.0 billion and at 31st March, 2018 funded mortgage-like loans represented DKK 10.5 billion. At 31st December, 2016 funded mortgage-like loans amounted to DKK 5.3 billion and was included in the interbank funding at year-end 2016.

Sydbank offers a range of deposit products. The maturity breakdown at the end of each of the periods indicated of these deposits is set out in the table below:

**Sydbank Group deposits**

| | 31st December, | | | | | | 31st March, | |
|---|---|---|---|---|---|---|---|---|
| | **2015 DKK million** | **%** | **2016 DKK million** | **%** | **2017 DKK million** | **%** | **2018 DKK million** | **%** |
| Deposits on demand | 61,628 | 67 | 65,717 | 69 | 67,803 | 68 | 67,632 | 69 |
| Deposits at notice | 6,192 | 7 | 5,237 | 6 | 2,518 | 2 | 2,305 | 2 |
| Time deposits | 6,564 | 7 | 4,945 | 5 | 7,617 | 8 | 6,813 | 7 |
| Special | 5,516 | 6 | 5,210 | 5 | 4,752 | 5 | 4,705 | 5 |
| Pooled Schemes deposits | 12,009 | 13 | 13,825 | 15 | 16,541 | 17 | 16,331 | 17 |
| **Total savings deposits** | **91,909** | **100** | **94,934** | **100** | **99,231** | **100** | **97,786** | **100** |

**Management**

The Bank's Board of Directors consists of 11 members. Sydbank's shareholders elect at a General meeting a number of shareholders to be representatives to a Shareholders' Committee. The number must not be less than 60 and not more than 80. As at the date of this Prospectus, the Committee consists of 67 representatives. The Board of Directors shall consist of between 6 and 10 members to be elected by and from Shareholders' Committee members and the staff elect four members to the Board of Directors. The business address of each of the Directors listed below is Peberlyk 4, PO Box 1038, DK 6200 Aabenraa, Denmark.

The Board of Directors comprises:

Torben Nielsen, Haslev
Chairman
Former Central Bank Governor

John Lesbo, Esbjerg
Vice-Chairman
State Authorised Public Accountant

Lars Mikkelgaard-Jensen, Rungsted Kyst
Managing Director

Janne Moltke-Leth, Copenhagen
General Manager

Frank Møller Nielsen, Næstved
Danish High Court Attorney

Jacob Christian Nielsen, Haderslev
General Manager

Susanne Schou, Sønderborg
Deputy Chief Executive

Carsten Andersen, Sønderborg
Account Manager, Corporate Clients, elected by the staff

Kim Holmer, Sydals
Vice Chairman of Sydbank Kreds, elected by the staff

Jarl Oxlund, Kolding
Chairman of Sydbank Kreds, elected by the staff

Jørn Krogh Sørensen, Aabenraa
Senior Credit Consultant, elected by the staff

The Board of Directors appoints the Board of Management, which comprises:

Karen Frøsig
Group Chief Executive
Chairman of the Board of Directors of Ejendomsselskabet af 1. juni 1986 A/S, DiBa A/S and Foreningen Bankdata.
Vice-Chairman of the Board of Directors of National Banks in Denmark.
Member of the Boards of Directors of PRAS A/S, Finance Denmark, Totalkredit A/S, DLR Kredit A/S, BI Holding A/S, FR I af 16. September 2015 A/S, Sydbank Soenderjyllands Fond, Sydbank Fonden and Musikhuset Esbjerg, Fond.
Member of the Committee on Corporate Governance.

Jan Svarre
Deputy Group Chief Executive
Vice-Chairman of the Board of Directors of e-nettet A/S.
Member of the Board of Directors of Ejendomsselskabet af 1. juni 1986, DiBa A/S, Letpension A/S and BOKIS A/S.

Bjarne Larsen
Deputy Group Chief Executive
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.

Other senior officers:

| | |
|---|---|
| Bjørn Schwarz | Head of Management Secretariat & Communications |
| Jørn Adam Møller | Head of Accounting & Investor Relations |
| Bjørn Slipsager Clausen | Head of Risk |
| Per Klitt Jensen | Head of Credits |
| Michael Andersen | Head of Asset Management |
| Karin Sønderbæk | Head of Legal Department |
| Steen Sandager | Head of Retail Clients & Private Banking |
| Morten Barsballe Nielsen | Head of Corporate Clients |

| | |
|---|---|
| Lars Bolding | Head of Sydbank Markets |
| Ole Kirkbak | Head of Internal Audit |
| Jacob Flohr Kristiansen | Head of IT & Development |
| Niels Skylvad | Head of Securities & International Transactions |
| Steen Streubel Hansen | Head of Corporate Banking & Finance |
| Else Guldager | Head of Human Resources |
| Nicolai Fl. Frederiksen | Head of Sales & Marketing |
| Torben Bruun Jørgensen | Head of Customer Service Direct |
| Lone Frederiksen | Head of Compliance |

**Potential Conflicts of Interest**

There are no potential conflicts of interest between the private interests or other duties of the Directors, members of the Board of Management or other senior officers of the Issuer and the duties of such persons to the Issuer.

## SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 25th May, 2018, jointly and severally agreed to subscribe and pay for the Notes at the issue price of 100.00 per cent. of the principal amount of the Notes. The Issuer will pay a commission to the Joint Lead Managers pursuant to the Subscription Agreement. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

**United States of America:** *Regulation S Category 2; TEFRA D*

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the **distribution compliance period**) within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each distributor, dealer or person to which it sells the Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Terms used in this paragraph have the respective meanings given to them by Regulation S under the Securities Act.

In addition, until forty days after the commencement of the offering of the Notes, any offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

**Prohibition of sales to EEA retail investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

## United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 would not, if the Issuer was not an authorised person, apply to the Issuer.

## Kingdom of Denmark

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer, sell or deliver any of the Notes directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Consolidation Act No. 12 of 8th January, 2018 on Capital Markets as amended and Executive Orders issued thereunder and in compliance with the Executive Order No. 747 of 7th June, 2017 issued pursuant to the Danish Financial Business Act.

## General

Each Joint Lead Manager has represented and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Prospectus or any advertisement or other offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Joint Lead Manager shall have any responsibility therefor.

Neither the Issuer nor any of the Joint Lead Managers represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

# TAXATION

*Persons considering the purchase, ownership or disposition of the Notes should consult their own tax advisers concerning the tax consequences in the light of their particular situations. No representations with respect to the tax consequences of any particular Noteholder are made hereby.*

## Kingdom of Denmark

*The following is a summary description of the taxation in Denmark of the Notes according to the Danish tax laws in force at the date hereof and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as professional dealers in securities) may be subject to special rules. Potential investors are under all circumstances strongly recommended to contact their own tax adviser to clarify the individual consequences of their investment, holding and disposal of the Notes. The Issuer makes no representations regarding the tax consequences of purchase, holding or disposal of the Notes.*

### Taxation at source

Under existing Danish tax laws, no general withholding tax or coupon tax will apply to payments of interest or principal or other amounts due on the Notes, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to in The Danish Corporation Tax Act (*Selskabsskatteloven*), Consolidated Act No. 1164 of 6th September, 2016, as amended from time to time. This will not have any impact on Noteholders who are not in a relationship whereby they control, or are controlled by, the Issuer, or where the Noteholders and the Issuer are not controlled by the same group of shareholders.

### Resident Noteholders

Private individuals, including persons who are engaged in financial trade, companies and similar enterprises resident in Denmark for tax purposes or receiving interest on the Notes through their permanent establishment in Denmark are liable to pay tax on such interest.

Capital gains are taxable to individuals and corporate entities in accordance with the Danish Capital and Exchange Gains Act (*Kursgevinstloven*), Consolidated Act No. 1283 of 25th October, 2016, as amended from time to time. Gains and losses on Notes held by corporate entities are generally taxed in accordance with a mark-to-market principle (*lagerprincippet*), i.e. on an unrealised basis.

Gains and losses on Notes issued to individuals are generally taxed on a realised basis. The net gains are taxed as capital income at a rate of up to 42 per cent. in 2017. However, this tax rate does not apply if the individual is engaged in financial trade and considered a professional trader. The gain or loss will only be included in the taxable income when the net gain or loss for the year on all debt claims, debt denominated in foreign currency and investment certificates in bond-based investment funds subject to the minimum taxation exceeds a total of DKK 2,000.

A variety of features regarding interest and principal may apply to the Notes. The applicable taxation of capital gains to corporate entities or individuals will depend on the features applicable to the Notes in question.

### Non-Resident Noteholders

Under existing Danish tax laws, payments of interest or principal amounts to any non-resident Noteholder are not subject to taxation in Denmark, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to under “Taxation at source” above. Thus no Danish withholding tax will be payable with respect to such payments and any capital gain realised upon the sale, exchange or retirement of a Note will not be subject to taxation in Denmark, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to under “Taxation at source” above.

This tax treatment applies solely to Noteholders who are not subject to full tax liability in Denmark or included in a Danish joint taxation scheme and do not carry on business in Denmark through a permanent establishment.

**U.S. Foreign Account Tax Compliance Act Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Denmark) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1st January, 2019. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

**The proposed financial transactions tax (FTT)**

On 14th February, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (together, the **participating Member States**) and Estonia. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) 9 Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## GENERAL INFORMATION

### Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in the Kingdom of Denmark and the United Kingdom in connection with the issue of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer dated 20th March, 2018.

### Listing of Notes

Application has been made (i) to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and (ii) to the London Stock Exchange for the Notes to be admitted to trading on the Market, in each case with effect from, or from around, 31st May, 2018.

The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately GBP4,000.

### Documents Available

For so long as the Notes are in existence, copies of the following documents will be available for inspection by Noteholders from the registered office of the Issuer and from the specified office of the Principal Paying Agent (provided that any such Noteholder has provided evidence satisfactory to the Principal Paying Agent of its holding of the Notes):

(i) the articles of association (with an English translation thereof) of the Issuer;

(ii) the audited consolidated and non-consolidated financial statements of the Issuer in respect of the financial years ended 31st December, 2017 and 2016 (with an English translation thereof) in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis;

(iii) the unaudited consolidated interim financial statements of the Issuer as of and for the three months ended 31st March, 2018 (with an English translation thereof);

(iv) the Agency Agreement (which includes the form of the Global Notes, the Definitive Notes, the Coupons and the Talons);

(v) the Deed of Covenant; and

(vi) a copy of this Prospectus together with any supplements to this Prospectus.

In addition, copies of this Prospectus and any supplement to this Prospectus will be available on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

### Clearing Systems

Permanent Global Notes, Definitive Notes and any Coupons or Talons appertaining to the Notes will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN in respect of the Notes is XS1713462742 and the Common Code in respect of the Notes is 171346274. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. Euroclear and Clearstream, Luxembourg are the entities in charge of keeping the records.

**Indication of yield**

The indication of the yield of the Notes is 5.320 per cent. per annum and is calculated as at the date of this Prospectus on the basis of the Issue Price to (but excluding) the First Call Date. It is not an indication of future yield.

**Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer and the Group since 31st March, 2018 and there has been no material adverse change in the prospects of the Group since 31st December, 2017.

**Litigation**

There has been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

**Auditors**

The auditor of the Issuer is Ernst & Young P/S. The annual financial statements of the Issuer for the financial years ended 31st December, 2017 and 31st December, 2016 have, in each case, been audited by Ernst & Young P/S (**EY**). EY is a member of "FSR- Danske Revisorer" (Association of State Authorised Public Accountants).

The auditor of the Issuer has no material interest in the Issuer.

**Third party sources**

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

**Joint Lead Managers transacting with the Issuer**

Some of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Some of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## REGISTERED AND HEAD OFFICE OF THE ISSUER

**Sydbank A/S**
CVR No DK 1262 6509
Peberlyk 4
PO Box 1038
DK 6200 Aabenraa
Denmark

## JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

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2-12 Holmens Kanal
DK-1092 Copenhagen K
Denmark

**J.P. Morgan Securities plc**
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

## AUDITORS

*To the Issuer*

**Ernst & Young P/S**
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
DK-2000 Frederiksberg
Denmark

## ISSUING AGENT AND PRINCIPAL PAYING AGENT

**The Bank of New York Mellon, London Branch**
One Canada Square
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United Kingdom

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*To the Joint Lead Managers*
*as to Danish Law*

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