

MEMORANDUM

The Danish FSA

6 January 2020

Statement on inspection at Sydbank A/S (agricultural exposures)

In September 2019 the Danish FSA conducted an inspection of loans and advances to Sydbank's agricultural clients.

The object of the review was to assess the quality of the bank's credit management, valuation techniques, registration of objective evidence of credit impairment and impairment.

Summary and risk assessment

The Danish FSA's assessment was based on a review of 39 randomly selected loans and advances of a minimum of DKK 3m to agricultural clients which were predominantly defined by being classified in stage 2 (significant change in credit risk) or in stage 3 (credit impaired). In addition the Danish FSA reviewed selected business procedures.

The Danish FSA assessed that the bank's credit policy in this area was generally adequate and that the bank's risk analysis and risk tolerance were in line with those of other banks.