

**MEMORANDUM**

The Danish FSA

18 December 2020

File No. 6252-0327

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## **Statement - liquidity inspection at Sydbank A/S**

In September 2020 the Danish FSA conducted an inspection of Sydbank's risk management as regards liquidity. The inspection was conducted in accordance with section 346(1) of the Danish Financial Business Act.

The main focus of the investigation was the bank's risk management as regards liquidity, including division of responsibilities, risk identification, targets and limits, internal controls and reporting as well as the bank's documentation of the related processes.

Moreover the Danish FSA examined the bank's own assessment of the stability of the deposit base as this is by far the predominant source of funding.

In addition the Danish FSA examined the bank's approach to market funding by way of issuance of senior debt.

### **Summary and risk assessment**

The bank's current liquidity and funding risks are assessed as being limited. The bank's deposit surplus is significant and the majority of deposits are covered by the deposit guarantee. The bank's current need for debt issues is therefore only related to meeting the bank's capital requirements and MREL.

The written documentation in relation to the selection of lines and risk assessment is inadequate. Consequently the bank has been ordered to improve its written documentation. In addition the bank has been ordered to prepare business procedures in relation to the bank's debt issues.