

Statement on review at Sydbank A/S (lending to corporate clients)

In October 2017 the Danish FSA conducted an inspection at Sydbank. The objective was to assess the bank's credit management and loan impairment charges.

Summary and risk assessment

The Danish FSA reviewed 100 loans, predominantly to financially weaker corporate clients. Agricultural clients and financing of acquisitions did not form part of the review.

The Danish FSA found that the bank's credit management was generally satisfactory.

However in 15 cases the bank had performed inadequate follow-up on client development and as regards 6 loans the bank had not made timely registration of objective evidence of impairment (OEI). Consequently the bank was ordered to ensure that it has an overview of client development and that it monitors higher risk clients.

In 12 instances the bank did not have an accurate risk classification of clients. Therefore the bank was ordered to ensure correct classification.

At the request of the Danish FSA the bank analysed the values of the company charges which the bank had held in companies that had gone bankrupt. The analysis showed large differences between the assessment of the collateral in a going concern and the actual value on realisation.

In several cases the bank had offset the value of non-charged deposits in the calculation of impairment charges, contrary to the rules.

The Danish FSA found that overall the impairment charges as regards the loans reviewed were adequate.