

M E M O R A N D U M

The Danish FSA

23 February 2023

**Statement of inspection at Sydbank A/S
(lending to corporate clients within cyclical
industries)**

Introduction

In November 2022 the Danish FSA conducted an inspection at Sydbank. The objective was to assess the bank's risk appetite and basis for decision-making in connection with approving loans and advances to corporate clients within cyclical industries and segments.

Summary and risk assessment

The Danish FSA reviewed 70 loans and advances etc approved to new corporate clients or increases granted to existing corporate clients within cyclical industries and segments from 30 June 2021 to 31 August 2022.

The bank's analysis of corporate clients' liquidity appeared generic in several cases. Insufficient analyses imply a risk that liquidity challenges are identified and handled too late. The bank should therefore improve the liquidity analyses in its basis for decision-making.

Furthermore, among the approved loans and advances selected, there were examples of loans and advances etc approved by the bank to new corporate clients whose credit quality was poorer than the overall credit quality of the bank's existing corporate clients. The bank should focus on not compromising on its usual requirements for corporate clients' earnings, liquidity and equity when approving loans and advances etc to new corporate clients.

The inspection did not give rise to any change in the bank's solvency need, which represented 11.2% at 30 September 2022.