

MEMORANDUM

The Danish FSA

27 March 2017

Statement on thematic review at Sydbank A/S (loans and advances to agriculture)

Introduction

In December 2016 the Danish FSA conducted a thematic inspection of loans and advances to agriculture at Sydbank A/S.

The objective was to assess the quality of the bank's credit management, valuation techniques, registration of OEI (objective evidence of impairment) and calculation of impairment charges as regards loans and advances to agriculture.

The thematic inspection formed part of a cross-sector review involving the largest banks.

Summary and risk assessment

The Danish FSA reviewed 30 loans and advances selected among the weak agricultural exposures.

The Danish FSA found that action plans for the individual clients were either missing or not operative. Consequently the bank was ordered to ensure that the action plans specify the forward-looking measures as regards the clients.

The inspection identified a number of areas where Sydbank can carry out improvements, including the bank's assessment of agricultural exposures' interest rate sensitivity, the bank's opinion on any disharmony (number of live-stock relative to acreage), internal documentation of the considerations behind the bank's selection in connection with the conversion of loans to subordinated loan capital and the quality of the bank's data about the clients.