

### CREDIT OPINION

14 April 2020

Update

 Rate this Research

#### RATINGS

##### Sydbank A/S

Domicile	Denmark
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	(P)A1
Type	Senior Unsecured MTN - Fgn Curr
Outlook	Not Assigned
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

#### Contacts

Alexios Philippides +357.2569.3031  
 VP-Senior Analyst  
[alexios.philippides@moodys.com](mailto:alexios.philippides@moodys.com)

Corina Moustra +357.2569.3003  
 Associate Analyst  
[corina.moustra@moodys.com](mailto:corina.moustra@moodys.com)

Simon James Robin +44 207 772 5347  
 Ainsworth  
 Associate Managing Director  
[simon.ainsworth@moodys.com](mailto:simon.ainsworth@moodys.com)

Sean Marion +44.20.7772.1056  
 MD-Financial Institutions  
[sean.marion@moodys.com](mailto:sean.marion@moodys.com)

## Sydbank A/S

### Update to credit analysis

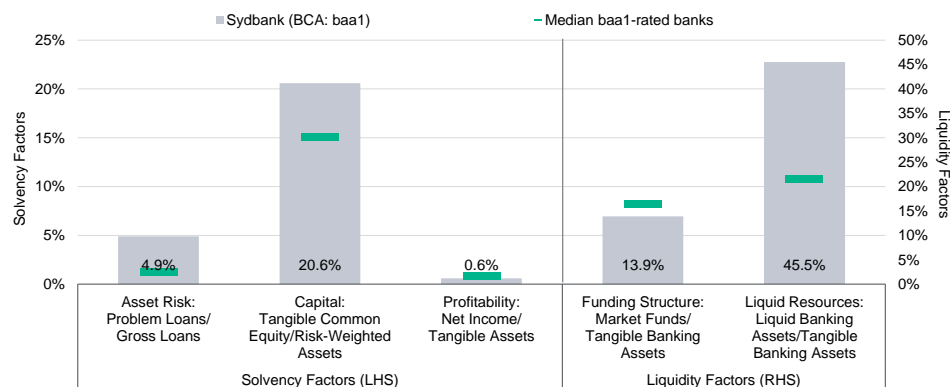
#### Summary

[Sydbank A/S's](#) (Sydbank) A1 long-term deposit and (P)A1 senior unsecured ratings, with a stable outlook, reflect (1) the bank's baa1 standalone Baseline Credit Assessment (BCA); and (2) three notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which takes into account the risks faced by different liability classes should the bank enter into resolution. The bank's ratings do not benefit from government support uplift based on our assessment of a low probability of support.

Sydbank's baa1 standalone BCA reflects the bank's (1) solid capitalisation with a common equity tier 1 (CET1) capital ratio of 17.8% as of the end of 2019 and capital retention; (2) sound funding structure and liquidity profile. Similarly to peers, profitability is under pressure from the prolonged low interest rate environment, which will face added pressure from the economic and financial fallout of the coronavirus pandemic. At the same time, Sydbank's BCA also takes into account credit concentration and the bank's through-the-cycle asset quality performance. The bank's asset quality has been strong in recent years, with provisioning charge-backs since 2017. However, we expect these positive trends to somewhat reverse in light of coronavirus-induced shutdown, with the impact becoming more pronounced the longer the economic disruption lasts.

Exhibit 1

#### Rating Scorecard - Key financial ratios



These are our [Banks Methodology](#) scorecard ratios. Asset risk and profitability reflect the weaker of either the three-year average and latest figure. Capital is the latest reported figure. Funding structure and liquid resources reflect the latest fiscal year-end figures.

Source: Moody's Investors Service

## Credit strengths

- » Capital retention will support solid regulatory capital ratios, which are well above regulatory requirements
- » Recent asset quality has been strong
- » Stable funding structure and adequate liquidity profile

## Credit challenges

- » The economic fallout from the coronavirus-induced disruption will lead to some asset quality deterioration in the coming quarters
- » Profitability under added pressure

## Rating outlook

- » The stable outlook on the bank's long-term deposit rating reflects our expectation that the bank's strong capital and additional management provisions will provide a substantial buffer against the current macroeconomic challenges and despite the added pressure on the bank's profitability.

## Factors that could lead to an upgrade

- » Upward pressure on Sydbank's ratings could develop from (1) a reduction in credit concentrations and if the bank demonstrates stronger asset quality through an economic cycle; (2) a sustained improvement in the bank's profitability without an increase in its risk profile; (3) capital and leverage strengthen materially.

## Factors that could lead to a downgrade

- » Downward pressure on Sydbank's ratings could emerge if we observe: (1) a material deterioration in asset quality beyond the bank's historical performance, or, if concentrations and exposures to more volatile asset classes rise; (2) a persistent weakening in bank's recurring earnings power and operating efficiency; (3) a substantial increase in market funding reliance beyond our current expectations; and/or (4) weaker capital ratios that are below the bank's current capital targets.
- » A substantial deterioration in Denmark's operating environment for banks, for example from a much longer and deeper economic recession than currently anticipated, may also put negative pressure on the bank's ratings.
- » Negative pressure on the bank's ratings would also arise if there is a shift in the bank's funding mix, such as lower non-preferred senior and subordinated instrument volumes or a material reduction in junior deposits amounts, which would result in lower rating uplift than currently assumed under our Advanced LGF framework.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Sydbank A/S (Consolidated Financials) [1]

	12-19 <sup>2</sup>	12-18 <sup>2</sup>	12-17 <sup>2</sup>	12-16 <sup>2</sup>	12-15 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (DKK Million)	141,782.0	134,423.0	131,755.0	137,453.0	133,253.0	1.6 <sup>4</sup>
Total Assets (USD Million)	21,298.2	20,591.9	21,249.4	19,498.1	19,396.9	2.4 <sup>4</sup>
Tangible Common Equity (DKK Million)	11,371.0	11,319.0	11,548.0	11,372.0	11,024.0	0.8 <sup>4</sup>
Tangible Common Equity (USD Million)	1,708.1	1,733.9	1,862.5	1,613.2	1,604.7	1.6 <sup>4</sup>
Problem Loans / Gross Loans (%)	3.5	4.6	6.5	6.0	8.0	5.7 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	20.6	20.4	19.6	17.9	16.2	19.0 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.3	21.0	30.4	33.2	41.3	28.4 <sup>5</sup>
Net Interest Margin (%)	1.2	1.4	1.5	1.7	1.7	1.5 <sup>5</sup>
PPI / Average RWA (%)	1.7	2.1	3.2	3.0	2.5	2.5 <sup>6</sup>
Net Income / Tangible Assets (%)	0.6	0.8	1.2	1.1	0.9	0.9 <sup>5</sup>
Cost / Income Ratio (%)	75.0	70.1	58.3	57.2	60.1	64.1 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	13.9	13.3	11.3	20.1	21.4	16.0 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	45.5	44.2	37.0	30.2	27.6	36.9 <sup>5</sup>
Gross Loans / Due to Customers (%)	77.4	79.4	83.8	102.1	101.9	88.9 <sup>5</sup>

[1]All figures and ratios are adjusted using Moody's standard adjustments. [2]Basel III - fully-loaded or transitional phase-in; IFRS. [3]May include rounding differences due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.

Source: Moody's Investors Service; Company Filings

## Profile

Sydbank is a full-service commercial bank in Denmark that provides retail, corporate, investment and private banking services, primarily to private individuals, and small and medium-sized enterprises. As of the end of 2019, the bank reported total assets of DKK147.7 billion (around €19.8 billion) and operated through a network of 60 branches in Denmark and three branches in Germany.

Sydbank was established in 1970 as a result of the merger of four local banks in Southern Jutland. In the 1980s the bank began expanding its domestic branch network outside Southern Jutland. Sydbank is listed on the NASDAQ Copenhagen Stock Exchange (Ticker: SYDB). For further information on the bank's profile see [Sydbank A/S : Key Facts and Statistics](#), published on 4 July 2019.

## Recent developments

We have [revised](#) our growth forecasts downward for 2020 as the coronavirus will cause an unprecedented shock to global economy. Business activity will likely fall sharply across advanced economies in the first half of 2020 and we project cumulative contractions over the first and second quarters of 2020 for a substantial number of countries. We now expect real GDP in the global economy to contract by 0.5% in 2020, followed by a pickup to 3.2% in 2021.

We have also [changed](#) our outlook for the Danish banking system to negative from stable. We expect the coronavirus outbreak to weigh on Denmark's economy, leading to an uptick in problem loans from a low base, and to exacerbate pressure on banking sector profitability. The Danish government's policy response for those affected has been comprehensive, encompassing financial support for businesses and workers. However, it will not be sufficient to fully counterbalance the coronavirus-induced drop in growth, which will become more severe the longer the outbreak lasts. Nevertheless, the Danish banking sector's capitalisation will likely remain close to current robust levels and funding and liquidity will remain stable. The central bank is also providing extraordinary lending facilities.

We expect asset risk to increase for Danish banks, with the repayment capacity of borrowers in coronavirus-exposed sectors, such as leisure, transportation and retail trade, and small businesses worst affected. Denmark's fiscal and liquidity policy response is providing some initial relief to businesses and households and banks are offering payment holidays to affected borrowers, which will mitigate the short-term credit impact. However, a deeper and more prolonged economic disruption would have a more adverse impact on loan quality. Generally, however, low interest rates, combined with macroprudential measures, a preceding period of modest credit growth and a decline in overall indebtedness have made Danish businesses and households potentially more resilient to the current downturn compared to previous macroeconomic shocks.

## Detailed credit considerations

### Recent asset quality has been strong, but the economic fallout will lead to a deterioration in the coming quarters

Sydbank's strong recent asset quality will deteriorate modestly over the coming quarters and provisions will rise from very low levels mitigated by existing management-driven collective impairments. Our assigned Asset Risk score of baa3 reflects these expectations. In addition, our assessment takes into account the bank's historical, through-the-cycle, asset risk performance, and credit concentrations.

Sydbank's problem loans (defined as IFRS 9 stage 3 loans) were 3.5% of gross loans as of end-2019, and were adequately provisioned at 53% (stage 3 expected credit losses). Stage 2 loans accounted for a further 7.1% of loans and advances. In terms of past through-the-cycle asset quality performance, credit costs averaged 1.2% during 2008-2017, and reached a high 1.7% during the 2009-2014 period. Impairment charges came down significantly in recent years, and the bank recorded provisioning charge-backs since 2017.

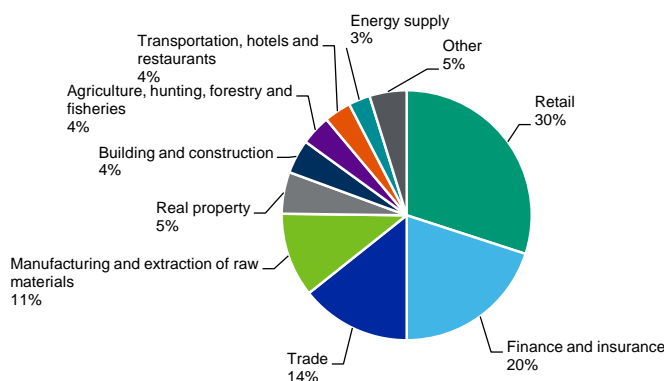
Sydbank had benefited more than other large Danish banks from the positive economic trends the country experienced until recently, given that 70% of its lending exposure was related to business entities, and only 30% to retail customers as of end-2019. Unlike other systemic Danish banks, Sydbank does not own/consolidate a mortgage credit institution (MCI). Under a number of funding agreements, Sydbank transfers mortgage loans to Totalkredit and DLR Kredit and provides a guarantee for a portion of the loan; Sydbank carries no credit risk for the transferred loan to Totalkredit in the loan-to-value (LTV) range of 0%-60%, for example. Therefore its asset quality metrics, against on-balance sheet loans appear weaker, compared to what they would have been if it were to consolidate these predominantly first-lien and lower risk mortgages. As of the end of 2019, Sydbank had on-balance sheet loans and advances of DKK60.6 billion and had transferred mortgages and mortgage-like loans of DKK84.5 billion to MCIs on which it earns a fee. Conversely, its profitability and market funding ratios are stronger for this same reason compared to Danish banks that consolidate an MCI.

The recent asset quality improvement will however likely reverse as economic conditions weaken. We see risks in the bank's exposure to transportation, hotels and restaurants that made up 4% of loans and guarantees at end-2019 (see Exhibit 3). Overall trade exposure, of which part may be negatively affected by the supply and demand shock, made up an additional 14%. According to the bank's [own assessment](#), its total lending exposure to the vulnerable entertainment industry, retail trade and very small businesses is low. As of end-March 2020 the bank's collective impairment charges included a management estimate of DKK225 million to cover its current assessment of the consequences from the coronavirus outbreak. The amount booked includes a management estimate of DKK125 million to hedge the risk against vulnerable loans of DKK610 million (equivalent to a 20% impairment), which are still performing but would be most at risk from the coronavirus disruption, and DKK100 million to cover unforeseen events for the remaining portfolio.

Exhibit 3

### Sydbank has some concentrations in specific sectors

Loan portfolio and guarantees breakdown by sector as of the end of 2019



Sources: Moody's Investors Service, company reports

We continue to consider the bank's credit concentrations as material. As of the end of 2019, Sydbank's 20 largest exposures were equivalent to 143% of CET1 capital (2018: 147%). In addition, real estate loans made up 5% of total loans and building and construction loans 4%. The bank was also indirectly exposed to the real estate sector because real property collateral accounted for

20% of total collateral against facilities (excluding mortgage guarantees) as of end-2019, and most of the bank's retail facilities related to housing and mortgage-like loans.

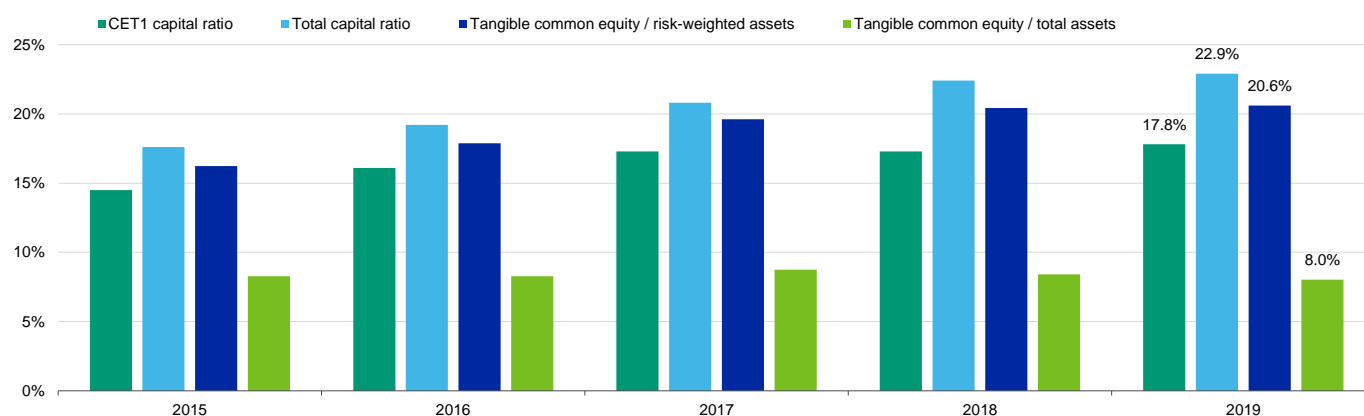
### Capital retention will support solid regulatory capital ratios, which are well above regulatory requirements

Our assigned aa3 Capital score reflects Sydbank's solid capital position, a relative strength in our assessment of the bank's standalone profile. We also expect that capital retention will offset a potential increase in risk exposures from the economic challenges posed by the coronavirus-induced disruption. In March, the bank terminated its share buyback programme and resolved to not recommend a dividend distribution for 2019 profits.

Sydbank's CET1 capital ratio was 17.8% as of the end of 2019 and its total capital ratio reached 22.9% (see Exhibit 4). These metrics were well above a 10.6% regulatory requirement for the CET1 ratio and 15.3% for the total capital ratio for that period and that included both the Danish FSA pillar 1 and pillar 2 components, a systemically important financial institution buffer of 1%, a 2.5% capital conservation buffer and an additional 1.0% countercyclical buffer. Our own tangible common equity (TCE)/risk-weighted assets ratio was a robust 20.6% at the end of 2019. Sydbank's TCE/total assets was 8.0% as of the end of 2019, which compares well with other Nordic and international banks, which typically have such ratios in the range 4%-10%. Further, its fully loaded Basel III leverage ratio was 6.4%.

Exhibit 4

#### Sydbank's capitalisation is solid and well above regulatory requirements



Sources: Moody's Investors Service, company reports

In light of the prospect of a significant weakening in economic activity, the Danish government decided to release the countercyclical capital buffer and cancel the planned future increases in order to support the provision of credit to the real economy. At the same time, authorities recommended that financial institutions suspend dividend payouts and share buybacks. Sydbank complied with this recommendation because of the uncertainty surrounding the economic impact of the outbreak. Combined with low capital consumption because of limited new lending, capital retention will help offset the impact on the bank's capital levels from risk-weighted assets inflation due to an increase in credit risk. According to Sydbank, a 10% increase in risk exposure amount (REA) would lower the bank's capital ratios by 1.4 percentage points.

Following two issuances of non-preferred senior debt (which Moody's refers to as junior senior debt) amounting to DKK7.4 billion (€1 billion), the bank is in compliance with its minimum requirement for own funds and eligible liabilities (MREL) set by the Danish Financial Supervisory Authority (FSA), equivalent to 29.6% of REA, before the release of the countercyclical capital buffer. The total outstanding junior senior debt, along with hybrid instruments and capital, were equivalent to around 36% of REA as of end-2019, exceeding the bank's MREL.

### Profitability under added pressure

We expect Sydbank's profitability, already challenged by the prolonged period of extremely low interest rates, will come under added pressure due to the economic and financial fallout of the coronavirus-induced disruption. The bank's efforts to support margins and cut costs will only partly offset these pressures in the next 12 months. This view is reflected in our assigned Profitability score of ba1.

Sydbank's profitability had declined recently, with net income falling to 0.6% of tangible assets in 2019 (2018: 0.8%; 2017: 1.2%). This reflected pressure on margins, with the bank's net interest margin contracting further to 1.2% in 2019 (2018: 1.4%; 2017: 1.5%) due to a combination of strong competition, subdued loan growth due to low demand, a deposit surplus (that can be placed at the Danish central bank at a substantially negative rate) and more expensive junior senior debt issuances compared to cheap deposits. Predominantly as a result of falling revenues, the bank's cost-to-income ratio also deteriorated to 75% in 2019 (2018: 70%; 2017: 58%).

The bank had planned to offset profitability pressure by increasingly expanding the scope of negative interest rates on deposit balances and by ongoing efforts to reduce costs, including through increased process automation and a reduction in the number of employees, and revenue initiatives such as higher fees on payment cards. Following the introduction of negative rates to retail clients at the beginning of 2020 for amounts exceeding DKK750,000 (around €100,000), in addition to corporate clients, around half of the bank's deposit base was subject to negative interest rates. Effective 1 May, Sydbank will also charge a negative rate on private customers' deposits exceeding DKK250,000 (€33,500), widening the deposit pool subject to negative rates by DKK6-7 billion.

Nevertheless, for 2020, we expect profitability to face added pressure from a rise in loan loss provisions from recent low levels, reduced trading and investment income from increased financial market volatility and lower fee income due to a stalled business cycle. Further margin erosion, partly driven by some substitution of ordinary loans into lending supported by government guarantees, will also pressure profitability. For the DKK225 million in collective provisions mentioned earlier, which are equivalent to 0.4% of end-2019 reported gross loans, the bank recorded impairment charges of DKK84 million in Q1 2020 net of recoveries incorporating improvements in the agriculture sector.

### Stable funding structure and adequate liquidity profile

Our a3 combined Liquidity score reflects Sydbank's relatively solid funding and liquidity profiles. Sydbank's customer deposits (excluding deposits from pooled plans, repo transactions and secured lending) accounted for the bulk 55% of total assets as of the end of 2019 (end-2018: 57%). Furthermore, the bank's reliance on confidence-sensitive market funding increased to a still relatively modest 13.9% of tangible banking assets at the end of the year following the bank's junior senior debt issuances. Reliance on short-term interbank liabilities decreased significantly between 2014 and 2017, and only accounted for 4% of assets as of December 2019, which also reflects a change in the funding agreement with Totalkredit. Nevertheless, relatively concentrated issuances of junior senior debt create some refinancing risk notwithstanding the substantial excess MREL coverage.

Similarly to other medium-sized Danish banks, Sydbank funds a portion of its mortgage loans off-balance sheet through Totalkredit and, to a lesser extent, through DLR Kredit. Sydbank is one of the largest independent distribution partners for Totalkredit, which underlines the strength of its position in this relationship.

As of the end of 2019, Sydbank's liquid banking assets accounted for around 45% of tangible banking assets. Our assigned baa1 Liquidity score takes into account some asset encumbrance, which results from the bank's market-making activities in covered bonds. The bank also reported a liquidity coverage ratio of 174% as of end-2019 (2018: 184%). Sydbank's liquidity coverage ratio is well above the 100% minimum requirement, set by the Danish FSA. The central bank's extraordinary facilities (see Recent developments section) will also help ensure sufficient liquidity for banks.

### Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank specific figures originate from banks' reports and Moody's Banking Financial Metrics. All figures are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to the document [Financial Statement Adjustments in the Analysis of Financial Institutions](#), published on 9 August 2018.

### ESG considerations

In line with our general view for the banking sector, Sydbank has a low exposure to Environmental risks, see our [Environmental](#) risks heatmap for further information.

The most relevant Social risks for banks arise from the way they interact with their customers, see our [Social](#) risks heatmap for further information. Social risks are particularly high in the area of data security and customer privacy which is partly mitigated by sizeable

technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage due to product misselling or other types of misconduct is a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services, increasing information technology cost, aging population concerns in several countries, including Denmark, impacting demand for financial services or socially driven policy agendas that may translate into regulation that affects banks' revenue base. We also regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. Overall, we consider banks, including Sydbank, to face moderate social risks.

Governance is highly relevant for Sydbank, as it is to all players in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Although we currently do not have material corporate governance concerns for Sydbank, corporate governance remains a key credit consideration and requires ongoing monitoring.

## Support and structural considerations

### Loss Given Failure (LGF) analysis

Sydbank operates in Denmark and is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. In accordance with our methodology, we therefore apply our Advanced LGF analysis to Sydbank's liabilities, considering the risks faced by different debt and deposit classes across the liability structure should the bank enter resolution.

In our Advanced LGF analysis, we use our standard assumptions and assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits, and a 5% runoff in preferred deposits. We assign a 25% probability to deposits being preferred to senior unsecured debt. For Sydbank, however, we assume that 10% of deposits can be considered as junior deposits to reflect the bank's more retail-based deposit structure.

For Sydbank's A1 deposit and (P)A1 senior unsecured debt ratings our Advanced LGF analysis indicates an extremely low loss-given-failure, leading to three notches of rating uplift from the bank's baa1 Adjusted BCA. This is predominantly driven by the substantial subordination afforded to these senior classes by the amounts of junior senior debt and low-trigger hybrid instruments on Sydbank's balance sheet.

For the bank's junior senior ratings the Advanced LGF analysis indicates moderate loss severity, leading to a position in line with the bank's Adjusted BCA.

### Government support considerations

We do not incorporate any government support uplift on Sydbank's ratings because we consider the probability of government support, in case of need, to be low. Our government support assumptions are driven by the implementation of the EU's BRRD in Denmark.

### Counterparty Risk Rating

Counterparty Risk Ratings (CRRs) are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements

#### Sydbank's CRR is positioned at A1/Prime-1

The CRR is positioned three notches above the Adjusted BCA of baa1, reflecting the extremely low loss-given failure from the high volume of instruments that are subordinated to CRR liabilities.

### Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR

Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

**Sydbank's CR Assessment is positioned at A1(cr)/Prime-1(cr)**

For Sydbank, our Advanced LGF analysis indicates an extremely low loss-given-failure for the CR Assessment, leading to three notches of rating uplift from the bank's baa1 Adjusted BCA.

## Methodology and scorecard

### About Moody's bank scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.



## Rating methodology and scorecard factors

Exhibit 5

### Sydbank A/S

<b>Macro Factors</b>							
<b>Weighted Macro Profile</b>	<b>Strong +</b>	<b>100%</b>					
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	4.9%	baa1	↓	baa3	Sector concentration	Long-run loss performance	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	20.6%	aa1	↓	aa3	Expected trend	Nominal leverage	
Profitability							
Net Income / Tangible Assets	0.6%	baa2	↓	ba1	Return on assets	Expected trend	
Combined Solvency Score		a2		baa1			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	13.9%	a2	↔	a3	Market funding quality		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	45.5%	aa3	↔	baa1	Asset encumbrance		
Combined Liquidity Score		a1		a3			
Financial Profile							
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Aaa			
BCA Scorecard-indicated Outcome - Range				a3 - baa2			
Assigned BCA				baa1			
Affiliate Support notching				0			
Adjusted BCA				baa1			
<b>Balance Sheet</b>							
		<b>in-scope (DKK Million)</b>		<b>% in-scope</b>		<b>at-failure (DKK Million)</b>	<b>% at-failure</b>
Other liabilities		28,609		23.4%		34,271	28.0%
Deposits		80,876		66.0%		75,215	61.4%
Preferred deposits		72,788		59.4%		69,149	56.4%
Junior deposits		8,088		6.6%		6,066	5.0%
Junior senior unsecured bank debt		7,472		6.1%		7,472	6.1%
Dated subordinated bank debt		1,308		1.1%		1,308	1.1%
Preference shares (bank)		560		0.5%		560	0.5%
Equity		3,675		3.0%		3,675	3.0%
Total Tangible Banking Assets		122,501		100.0%		122,501	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	15.6%	15.6%	15.6%	15.6%	3	3	3	3	0	a1
Counterparty Risk Assessment	15.6%	15.6%	15.6%	15.6%	3	3	3	3	0	a1 (cr)
Deposits	15.6%	10.6%	15.6%	10.6%	3	3	3	3	0	a1
Senior unsecured bank debt	15.6%	10.6%	10.6%	10.6%	3	2	3	3	0	a1
Junior senior unsecured bank debt	10.6%	4.5%	10.6%	4.5%	0	0	0	0	0	baa1
Dated subordinated bank debt	4.5%	3.5%	4.5%	3.5%	-1	-1	-1	-1	0	baa2
Non-cumulative bank preference shares	3.5%	3.0%	3.5%	3.0%	-1	-1	-1	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	3	0	a1	0	A1	A1
Senior unsecured bank debt	3	0	a1	0		(P)A1
Junior senior unsecured bank debt	0	0	baa1	0		Baa1
Dated subordinated bank debt	-1	0	baa2	0		Baa2
Non-cumulative bank preference shares	-1	-2	ba1	0		Ba1 (hyb)

[1]Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

## Ratings

Exhibit 6

Category	Moody's Rating
<b>SYDBANK A/S</b>	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured MTN	(P)A1
Junior Senior Unsecured	Baa1
Junior Senior Unsecured MTN	(P)Baa1
Subordinate	Baa2
Pref. Stock Non-cumulative	Ba1 (hyb)
Other Short Term	(P)P-1

Source: Moody's Investors Service

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454