MOODY'S
INVESTORS SERVICE

CREDIT OPINION
13 October 2020

Update

Rate this Research

RATINGS

Sydbank A/S

Domicile	Aabenraa, 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.

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Sydbank A/S

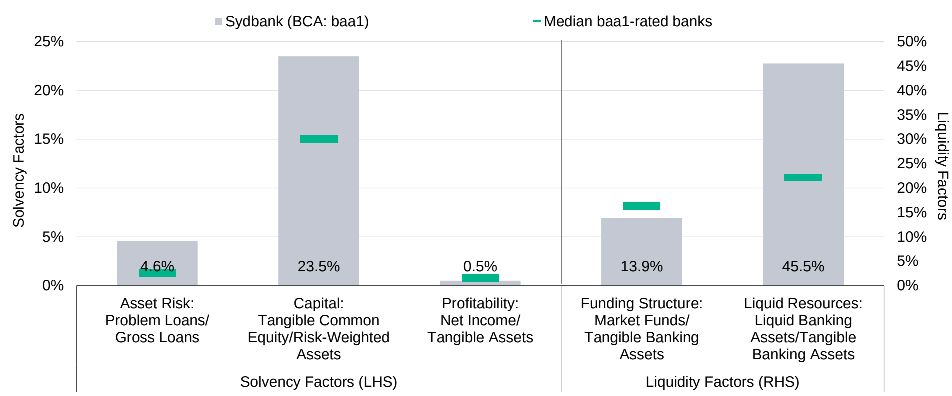
Update to credit analysis

Summary

Sydbank A/S's (Sydbank) A1 long-term deposit and (P)A1 senior unsecured ratings 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.

Sydbank's baa1 standalone BCA reflects the bank's (1) solid capitalisation with tangible common equity (TCE)/risk-weighted assets (RWAs) ratio of 23.5% as of June 2020; (2) sound funding structure and liquidity profile. Similarly to peers, profitability is under pressure from the prolonged low interest rate environment and 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. However, we expect these positive trends to somewhat reverse in light of the coronavirus-induced economic downturn and following the lifting of government support measures, 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 the 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

» Solid capital ratios, which we expect will remain well above regulatory requirements

» Recent asset quality has been strong

» Stable funding structure and adequate liquidity profile

Credit challenges

» The economic downturn 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, 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 significantly stronger asset quality through an economic cycle; (2) a sustained improvement in the bank's profitability without an increase in its risk profile; (3) materially strengthened capital leverage.

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 (which Moody's refers to as junior senior debt) 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. Higher tangible assets following the acquisition of Alm. Brand Bank without a corresponding increase in junior debt could also put negative pressure on Sydbank's ratings.

Key indicators

Exhibit 2
Sydbank A/S (Consolidated Financials) [1]

	06-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (DKK Million)	145,867.4	141,782.0	134,423.0	131,755.0	137,453.0	1.7[4]
Total Assets (USD Million)	21,981.4	21,298.2	20,591.9	21,249.4	19,498.1	3.5[4]
Tangible Common Equity (DKK Million)	11,652.0	11,371.0	11,319.0	11,548.0	11,372.0	0.7[4]
Tangible Common Equity (USD Million)	1,755.9	1,708.1	1,733.9	1,862.5	1,613.2	2.5[4]
Problem Loans / Gross Loans (%)	3.9	3.5	4.6	6.5	6.0	4.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	23.5	20.6	20.4	19.6	17.9	20.4[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.2	16.3	21.0	30.4	33.2	23.4[5]
Net Interest Margin (%)	1.1	1.2	1.4	1.5	1.7	1.4[5]
PPI / Average RWA (%)	1.9	1.7	2.1	3.2	3.0	2.4[6]
Net Income / Tangible Assets (%)	0.5	0.6	0.8	1.2	1.1	0.8[5]
Cost / Income Ratio (%)	74.4	75.0	70.1	58.3	57.2	67.0[5]
Market Funds / Tangible Banking Assets (%)	13.5	13.9	13.3	11.3	20.1	14.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	50.8	45.5	44.2	37.0	30.2	41.5[5]
Gross Loans / Due to Customers (%)	70.0	77.4	79.4	83.8	102.1	82.5[5]

[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 because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and 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 June 2020, the bank reported total assets of DKK150.4 billion (around €20.2 billion) and operated through a network of 58 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 - Q1 March 2020, published on 29 July 2020.

Recent developments

Macroeconomic developments

We expect advanced economies collectively to contract in 2020, followed by growth in 2021. An economic recovery is underway, but its continuation will be closely tied to containment of the virus. However, pandemic fears will continue to hinder a complete recovery. Even with a gradual recovery, we expect 2021 real GDP in advanced economies to be below pre-coronavirus levels.

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 comprehensive policy response for those affected 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. The impact on asset quality will gradually become apparent following the lifting of these measures, and Danish banks have been taking IFRS 9 provisions to cover potential credit losses ahead of the expected deterioration. 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.

Acquisition of Alm. Brand Bank

On 1 October, Sydbank announced that it entered into an agreement with Alm. Brand A/S, Denmark's fourth-largest insurance group, to acquire the group's banking operations, Alm. Brand Bank A/S.

The acquisition includes bank loans and advances of DKK4.8 billion, which would be additive to Sydbank's DKK55.5 billion loan book. The acquired loan portfolio is predominantly made of loans to private customers. Sydbank expects to phase out loans to weak corporate clients that will reduce the portfolio to between DKK3.5 billion and DKK4.0 billion over time. The acquisition also includes arranged Totalkredit mortgage loans of DKK16.9 billion, making Sydbank the largest distributor of Totalkredit mortgage loans.

The purchase will be in cash for a provisional consideration price that will be finalised on the date of the acquisition, of DKK1.8 billion, equivalent to 0.95x of the book value of equity. Following the acquisition, Sydbank will take over Alm. Brand Bank's employees and around 55,000 NemKonto customers, who hold primary bank accounts. Sydbank expects the acquisition to reduce its capital ratios by around 2 percentage points.

The agreement also involves the establishment of strategic partnership, whereby Sydbank will distribute Alm. Brand's insurance products and Alm. Brand customers will have access to Sydbank's banking products. Sydbank expects this partnership to contribute DKK40-50 million to annual income in the next 3-5 years, and the acquisition to strengthen the bank's profitability by around DKK100 million annually from 2022, after an expected reduction of DKK250 million in combined costs, which will be mainly realised from headcount reduction.

The acquisition is conditional on the approval by the Danish Financial Supervisory Authority (FSA) and the Danish Competition and Consumer Authority, and the bank expects it to be completed by the end of 2020.

Detailed credit considerations

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

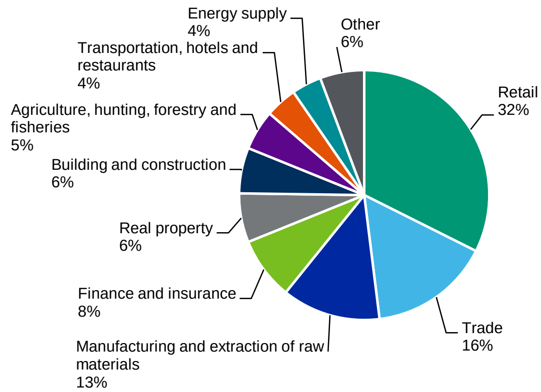
Sydbank's strong recent asset quality will deteriorate modestly over the coming quarters as a result of the economic downturn and following the lifting of government support measures to businesses and households. Ahead of an expected deterioration the bank maintains management-estimated impairments against the impact from the coronavirus crisis on its loan portfolio. Our assigned Asset Risk score of baa3 reflects these drivers. In addition, our assessment takes into account the bank's historical, through-the-cycle, asset risk performance, and risks from credit concentrations.

Sydbank's problem loans (defined as IFRS 9 stage 3 loans) were 3.9% of gross loans as of June 2020 (end-2019: 3.5%), and were adequately provisioned at 53% (stage 3 expected credit losses). Stage 2 loans accounted for a further 6.8% 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 until provisions rose in the first half of this year to 0.15% in light of deteriorating credit conditions.

Most of Sydbank's lending exposure was related to business entities, at 68% as of June 2020, and only 32% to retail customers. Unlike other systemic Danish banks, Sydbank does not own and 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 June 2020, Sydbank had on-balance sheet loans and advances of DKK55.5 billion and had transferred mortgages and mortgage-like loans of DKK85.7 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.

Higher unemployment and a GDP contraction will drive some asset quality deterioration. We see risks in the bank's exposure to transportation, hotels and restaurants that made up 4% of loans and guarantees as of June 2020 (see Exhibit 3). Overall trade exposure, of which part may be negatively affected by sharp shifts in supply and demand, made up an additional 16%. According to the bank's own assessment, its exposures most-affected by the coronavirus-induced downturn are limited. Sydbank's total exposure to severely impacted industries (where the bank includes sea and air transport, specialised retailers excluding cars, and hotels, restaurants and entertainment) accounted for 3.4% of net loans as of June 2020. Already weak but not credit impaired corporate exposures amounted to 1.3% of total loans, while a further 1.8% of total net loans were to the smallest businesses (with a balance sheet of less than DKK5 million) that are most vulnerable in the economic downturn.

Exhibit 3
Sydbank has some concentrations in specific sectors
Loan portfolio and guarantees breakdown by sector as of June 2020



Sources: Moody's Investors Service, company reports

As of June 2020 the bank's balance of impairments included a management estimate of DKK225 million to cover its current assessment of the consequences from the coronavirus outbreak. The bank had added to this buffer of provisions in Q1 2020 by booking additional impairments, however the bank reported overall net reversals in Q2 mainly from retail clients and agricultural exposures.

We continue to consider the bank's credit concentrations as material. As of June 2020, Sydbank's 20 largest exposures were equivalent to 152% of common equity tier 1 (CET1) capital (end-2019: 143%). Additionally, loans to the real estate, and building and construction sectors were 12% of total. 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.

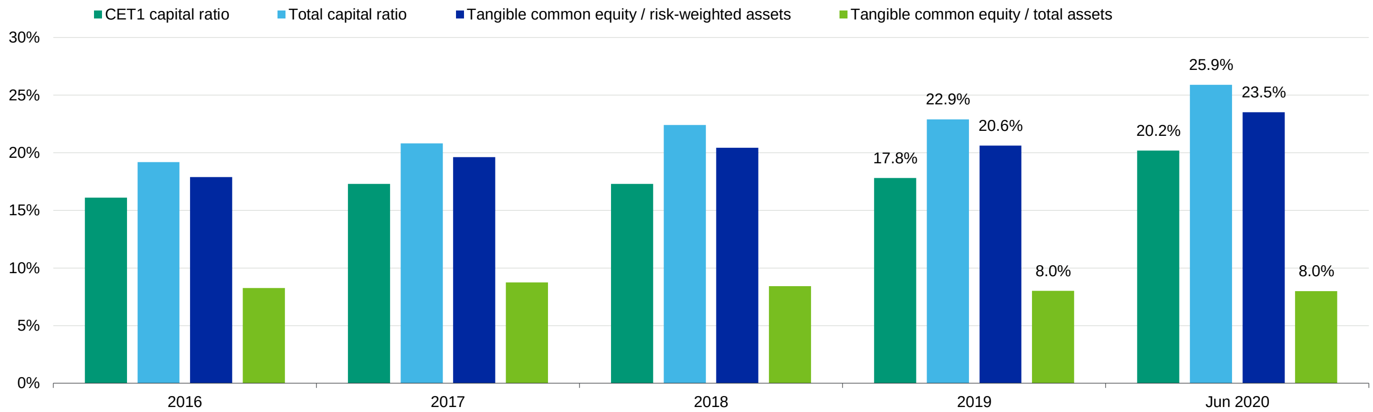
Solid capital ratios, which we expect will remain well above regulatory requirements

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 capital ratios to remain well above regulatory requirements. The significant increase in capital ratios during the first half of 2020 more than offsets the expected decline in these ratios from the Alm. Brand Bank acquisition. Furthermore, capital retention will offset a potential increase in risk exposures from the economic challenges posed by the coronavirus-induced disruption.

Our preferred capital metric, TCE/RWAs, was a robust 23.5% as of June 2020 and up from 20.6% at the end of 2019 (see Exhibit 4), mainly because of 2019 profit retention and a reduction in RWAs during the first half of the year. Sydbank's TCE/total assets was 8.0% as of June 2020, which compares well with other Nordic and international banks, which typically have such ratios in the range 4%-10%. Sydbank's reported CET1 capital ratio was 20.2% as of June 2020 and its total capital ratio reached 25.9%, which do not include current period profits. These metrics were well above a 10.0% regulatory requirement for the CET1 ratio and 15.1% for the total capital ratio for that period and that included both the Danish FSA's pillar 1 and pillar 2 components, a systemically important financial institution buffer of 1%, a 2.5% capital conservation buffer and a 0% countercyclical buffer[1]. Further, the bank's fully loaded Basel III leverage ratio was 6.4%.

Exhibit 4

Sydbank's capitalisation is solid and well above regulatory requirements



Sources: Company reports, Moody's Investors Service

In March, Sydbank terminated its share buyback programme and resolved to not recommend a dividend distribution for 2019 profits, in line with the authorities' recommendation for banks to retain profits, which improved the bank's total capital ratio by 1 percentage point compared to the end of 2019. In addition to a contraction in loans of DKK5.1 billion in the first half of 2020 that reduced credit-related RWAs by DKK1.9 billion, the bank's regulatory capital metrics also benefited from the application of the European Union's revised Capital Requirement Regulation (known as the CRR2 "quick fix"). Specifically, a lower risk-weighting for small and medium enterprises exposures (the permanent change in the SME discount factor) reduced credit-related RWAs by a further DKK1.5 billion. The total reduction in RWAs contributed another 2.6 percentage points to the bank's reported capital ratio. Earnings retention combined with low capital consumption because of limited new lending will help offset the impact on the bank's capital levels from risk-weighted assets inflation due to an increase in credit risk as the impact on borrowers becomes clearer. According to Sydbank, a 10% increase in risk exposure amount (REA) would lower the bank's capital ratios by 1.4 percentage points.

Profitability under added pressure

We expect Sydbank's profitability, already challenged by the prolonged period of extremely low interest rates, will be 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 declined, with net income falling to 0.5% and 0.6% of tangible assets respectively in H1 2020 and in 2019 (2018: 0.8%; 2017: 1.2%). This reflected pressure on margins, with the bank's net interest margin contracting further to 1.1% in H1 2020 and 1.2% in 2019 (2018: 1.4%; 2017: 1.5%) due to a combination of subdued loan growth due to low demand while competition remains strong, a large deposit surplus (which was the highest on record as of June 2020 and that can be placed at the Danish central bank at a substantially negative rate) and more expensive non-preferred senior issuances compared to cheap deposits. Profits in H1 2020 were also affected by higher provisions and financial market volatility. Predominantly as a result of falling revenues, the bank's cost-to-income ratio also deteriorated to 74% in H1 2020 and 75% in 2019 (2018: 70%; 2017: 58%).

The bank has strived to offset profitability pressure by 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 branches and employees, and revenue initiatives such a higher fees. The bank introduced negative rates to retail clients' deposits for amounts exceeding DKK750,000 (around €100,000) at the beginning of 2020 in addition to corporate clients. Since May, Sydbank started to charge a negative rate on private customers' deposits exceeding DKK250,000 (€33,500) and removed exemptions to this approach in August for multiple accounts. The bank stated that it will continue to consider reducing this limit further going forward. The bank has also been successful in maintaining a steady cost base in H1 2020 (1% down compared to the same period a year earlier) despite underlying cost inflation.

For the remaining of 2020, we expect profitability to continue to face added pressure from elevated loan loss provisions compared to recent low levels and lower fee income due to a stalled business cycle. Total loans and advances declined by 8.4% over the first six months of 2020. The bank raised its profit after tax expectation for 2020 to DKK600-800 million, though still slightly below the DKK853 million profit recorded in 2019.

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 June 2020 (end-2019: 55%).

Furthermore, the bank's reliance on confidence-sensitive market funding, including the bank's non-preferred senior debt issuances, remained a relatively modest 13.5% of tangible banking assets as of June 2020. Reliance on short-term interbank liabilities, which had decreased significantly between 2014 and 2017 and reflected a change in the funding agreement with Totalkredit, only accounted for 4% of assets as of June 2020. Nevertheless, relatively concentrated issuances of non-preferred senior debt create some refinancing risk notwithstanding a substantial excess coverage of its minimum requirement for own funds and eligible liabilities (MREL) as of June 2020.[2]

As of June 2020, Sydbank's liquid banking assets accounted for 51% 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 232% as of June 2020 (2017: 174%). Sydbank's liquidity coverage ratio is well above the 100% minimum requirement, set by the Danish FSA.

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, the CR Assessment is positioned three notches above the bank's baa1 Adjusted BCA based on the substantial buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, including junior deposits and junior senior debt. To determine the CR Assessment, we focus purely on subordination, taking no account of the volume of the instrument class.

Methodology and scorecard

About Moody's bank scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment 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

Macro Factors							
Weighted Macro Profile	**Strong +**	**100%**					
Factor		**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency							
Asset Risk							
Problem Loans / Gross Loans		4.6%	baa1	↓	baa3	Sector concentration	Long-run loss performance
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		23.5%	aa1	↔	aa3	Expected trend	Nominal leverage
Profitability							
Net Income / Tangible Assets		0.5%	ba1	↔	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	Expected trend
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		45.5%	aa3	↔	baa1	Asset encumbrance	
Combined Liquidity Score			a1		a3		
Financial Profile					baa1		
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		

Balance Sheet	**in-scope (DKK Million)**	**% in-scope**	**at-failure (DKK Million)**	**% at-failure**
Other liabilities	31,837	25.0%	37,587	29.6%
Deposits	82,141	64.6%	76,391	60.1%
Preferred deposits	73,927	58.2%	70,231	55.3%
Junior deposits	8,214	6.5%	6,161	4.8%
Junior senior unsecured bank debt	7,453	5.9%	7,453	5.9%
Dated subordinated bank debt	1,304	1.0%	1,304	1.0%
Preference shares (bank)	559	0.4%	559	0.4%
Equity	3,813	3.0%	3,813	3.0%
Total Tangible Banking Assets	127,107	100.0%	127,107	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	15.2%	15.2%	15.2%	15.2%	3	3	3	3	0	a1
Counterparty Risk Assessment	15.2%	15.2%	15.2%	15.2%	3	3	3	3	0	a1 (cr)
Deposits	15.2%	10.3%	15.2%	10.3%	3	3	3	3	0	a1
Senior unsecured bank debt	15.2%	10.3%	10.3%	10.3%	3	2	3	3	0	a1
Junior senior unsecured bank debt	10.3%	4.5%	10.3%	4.5%	0	0	0	0	0	baa1
Dated subordinated bank debt	4.5%	3.4%	4.5%	3.4%	-1	-1	-1	-1	0	baa2
Non-cumulative bank preference shares	3.4%	3.0%	3.4%	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
SYDBANK A/S	
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

Endnotes

1 In March 2020, against 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.

2 Sydbank has two outstanding non-preferred senior debt issuances amounting to DKK7.4 billion (€1 billion).

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CLIENT SERVICES

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

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