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Danske Bank's compliance with the four orders of 21 September 2020, Ref. no. 6252-0349

1. INTRODUCTION AND PURPOSE

Danske Bank A/S (the "Bank") refers to the Danish Financial Supervisory Authority's ("DFSA") decision of 21 September 2020 (the "Decision") in which the DFSA imposed four orders on the Bank (the "Orders").

According to the Decision, the Bank must within a month from the date of the Decision notify the DFSA of how the Bank has complied with the Orders and enclose relevant documentation.

The purpose of this letter is to inform the DFSA of the measures implemented to ensure compliance with Order 1 and 2. Accordingly, we have in this letter explained the measures taken by the Bank to comply with the Orders and enclosed the relevant documentation.

In addressing Order 3 and 4, the Bank provides a status update and a further description of the specific issues listed in appendix 2.5 of our response letter to the DFSA of 10 September 2020, this letter should be read with reference to previous correspondence.

As previously stated, we regret any difficulties caused to our customers as a result of this matter. We are fully committed to get the outstanding matters resolved and to compensate affected customers as quickly as practically possible. We will continue to allocate the required resources to comply with the Orders and will continue to progress further actions to ensure that sustainable solutions are implemented to embed improvements going forward.

2. SUMMARY OF THE ORDERS AND MEASURES TAKEN

Below, we have set out a summary of the Orders and the key measures taken to comply with each order. Further details on the measures taken are set out under Section 5, which also include references to the relevant documentation.

Due to the dynamic aspect of the Bank's debt collection portfolio, with new customers continuously being added, transitioning between statuses (e.g. when making a first payment), and customer cases being closed the numbers presented in this letter should be interpreted as a snapshot of the current portfolio.

Order no. 1: The DFSA orders the Bank to stop collecting debt from all existing customers of the bank's debt collection department unless an insignificant risk exists that money will be collected from the customer that the customer does not owe and to ensure that this takes place at no cost to the customer and to allow these customers to suspend the repayment of their debt at no additional cost to the customers.

Measures taken: Based on a data analysis, the Bank has assessed that for customers who have repaid more than or equal to 60% of the registered principal amount, the risk of overcollection cannot be deemed insignificant. Based on this assessment, the Bank has taken the following actions:

Customers in respect of which there is a not-insignificant risk of overcollection:

The Bank has suspended all debt collection. Debt collection will first be resumed when a customer's case has been corrected. The suspension has been implemented without any additional cost to the customers.

Customers in respect of which there only is an insignificant risk of overcollection:

The Bank has offered the customers to suspend repayment of debt without any cost until the customer's case has been corrected.

All customers whose repayment has been suspended:

All customers whose repayment has been suspended have been informed that they can decide, at any point in time, to continue repayment of their debt. In the same letter, the customers are informed about the risk of overcollection, if they decide to continue repayment. The customers who want to continue to repay their debt, accept the risk of temporary overcollection until the case has been recalculated, and if overcollection occurs the customer will be compensated.

Order no. 2: The DFSA orders the Bank to notify all customers who may have been affected by wrongful debt collection by means of individual communication.

Measures taken: The Bank is sending individual letters to all customers within the debt collection area, including customer cases outsourced to debt collection agencies ("DCA") that potentially have been affected by wrongful debt collection.

From a total number of 402,000 customers registered in the bank's Debt Collection systems, 250,000 are Danish registered customers; the remaining 157,000 customers registered in other jurisdictions are out of scope of the investigation as no issues have been identified. Out of the 250,000 customers, 56,000 customers have been excluded from the notification under Order 2 as they are characterized by that their case is closed (debt forfeited or repaid in full – voiding the legal claim) and that they have not made any payment on their debt, as a conclusion they were never at risk of overcollection. The remaining 194,000 customers are in scope for notification through individual communication.

Previously, the DFSA has been informed that 106,000 customers are in scope for potential remediation, these customers are part of the 194,000 customers who are to receive individual notification. In addition to the 106,000 customers, the 88,000 customers to receive individual communication are:

- 35,000 active customers that have not yet made a payment and hence not in scope for remediation but should receive the option to pause their payment as per Order 1;
- 14,000 customers have made a payment since 31 December 2019, which was the date of reference used in the remediation analysis;
- 24,000 customers that have entered the DCS and/or the PF system less than 3 years ago and hence out of scope for remediation as time baring has not occurred;
- 15,000 customers that are assessed to have entered correctly in DCS and the PF system;

At the time when the remediation analysis was made, 105,000 customers had not made any payment; out of these 56,000 customers were closed and 49,000 customers were active customers. From the 49,000 active customers, 14,000 have since then made a payment with 35,000 customers have still not made any payment. A detailed breakdown of the customers in scope can be found in Appendix 1.

In the letters, it is stated that an investigation and potential correction of their debt is ongoing and in the event of any overcollection the customers will be compensated. Customers with confirmed correct or corrected cases have been informed that their cases are correct and that the debt collection will continue.

For 41,000 customers the process of to notify is ongoing due to the circumstances of the customer's cases. This is when the customer's case is a debt relief case, a bankruptcy with a closed CVR number, an estate cases, or closed Realkredit Danmark debt cases, contact details are outdated. In these cases the contact details are not readily available to the bank and will require extraordinary work in collaboration with third parties before a notification can be forwarded to the relevant party. For the group of Realkredit customers it is expected that an update from the CPR register will provide the necessary contact details to be able to notify the customers with a valid address by 27 October 2020. For the remaining customers, the Bank is taking the additional steps required to complete the notification as soon as possible and will update the DFSA on the progress. For all 41,000 customers the risk of future overcollection is mitigated as the debt cases are closed.

Order no. 3: The DFSA orders the Bank to take measures to ensure that the risk of any incorrect collection stops or is limited to an acceptable level as soon as the error has been identified.

The Bank understands this order as a reference to the other actual and potential issues, which were listed in appendix 2.5 of the Bank's response letter (the "Additional Issues").

Measures taken: The Bank proceeds to investigate all the Additional Issues. A status overview for each Additional Issue is set out in Appendix 2 to this letter. The Bank continuously assesses if any of the actual and potential issues should require any additional suspension of debt collection from customers due to the risk of wrongful debt collection not being limited to an acceptable level.

Order no. 4: The DFSA orders the Bank to notify affected customers by means of individual communication as soon as the bank has established with a sufficient degree of certainty that the customer belongs to a group that may be affected by the errors identified. The Bank understands this order as a reference to the Additional Issues.

Measures to be taken: As soon as the investigation into an Additional Issue establishes with a sufficient degree of certainty that a customer has been affected by errors the Bank will notify the customer by appropriate individual communication.

3. GOVERNANCE FRAMEWORK

Programme Athens was established in November 2019 to investigate and later execute customer remediation in relation to the errors in the Bank's debt collection system. We described the governance of Programme Athens in our response letter to the DFSA of 10 September 2020 where there is a clear escalation path towards Danske Bank's Executive Leadership Team. After the DFSA's decision of 21 September 2020, the measures implemented to comply with the Orders have also been governed by Programme Athens. In the Bank's response to the Danish FSA of 10 September 2020, the Bank informed the DFSA that 14 other actual or potential issues had been identified (appendix 2.5 to the response). As further elaborated on in this letter and the accompanying Appendix 2, the Bank is investigating these other potential issues (the Additional Issues) to ensure compliance with the Orders. Each Additional Issue is analysed and handled in accordance with the structure set out in Appendix 3 to this letter, as described further in relation to Orders 3 and 4 below.

Programme Athens will remain responsible for ensuring and coordinating the required reporting to the DFSA and overseeing the progress on all the Additional Issues. For the issues identified to be beyond the scope of debt collection, additional projects and governance boards are and will be established in order to address the issue to its full extent.

4. STATUS ON CUSTOMER REMEDIATION

In accordance with the remediation principles listed in section 6.1 in the response to the DFSA of 10 September 2020, the Bank has adopted the remediation plan enclosed as Appendix 4. The remediation plan aims at ensuring a full remediation of all relevant customers by July 2021. We note that the timing and action points listed in the plan are guiding milestones and may change should currently unforeseen opportunities or matters arise through the remediation requiring planning adjustments.

5. DESCRIPTION OF ACTIONS TAKEN IN RESPECT OF THE FOUR ORDERS

ORDER NO. 1 AND 2

5.1 Suspension of debt collection

5.1.1 The "insignificant risk" threshold

As discussed with the DFSA – and to minimize the risk of overcollection –, the Bank has assessed that for customers who have repaid more than or equal to 60% of the registered principal amount the risk of overcollection cannot be deemed with the level of certainty required as being insignificant. The Bank's statistical modelling has shown that setting the repayment threshold at 60% ensures that for 97.5% of the customers there is no risk of overcollection. Therefore, the risk of overcollection for the entire group of customers under 60% repayment is deemed to be insignificant. For customers that have paid more than 60% of their debt, repayment of their debt has been suspended if correction of their debt has not yet been made. The Bank monitors the threshold on an individual customer level on a monthly basis. Accordingly, the Bank will suspend debt collection from customers that are about to cross the 60% threshold and the customers will receive a new letter about this at the relevant point in time. Going forward this solution will be automated to ensure customers are monitored continuously with adequate control mechanisms to prevent customers from exceeding the repayment threshold.

The Bank will reassess whether the 60% repayment threshold continues to be appropriate in terms of ensuring insignificant risk of overcollection.

Currently 12,500 customers who has their debt collected by Danske Bank and 4,500 customers where the debt collection is outsourced to DCAs are within the category of customers that have repaid 60% or more on their debt and have as a result had their repayments suspended by default.

Even though this group of customers by default have had their debt collection suspended, the customers have the right to continue repayment in acceptance of the risk of a temporary overcollection, until the customer's case is corrected.

5.1.2 Customers in the equal or higher than 60% repayment-category; Suspension of debt collection

The Bank has implemented the suspension of debt collection in respect of the customers within the equal or higher than 60% repayment-category as follows:

- 1) On 21 September 2020 the Bank cancelled all onwards PBS (in Danish "Betalingsservice") payment request instructions; and
- 2) On 30 September 2020 the Bank implemented measures to block all "payment slip payments" and "standing payment orders".

The suspension of the debt collection from customers continues until the individual customer's case has been corrected. Once correction has taken place, the customer is informed of the result of the recalculated balance

by letter, and the customer will receive a reasonable notice of when the repayment of any outstanding debt will have to start again. Interest on the remaining debt will be resumed once the case has been corrected. All costs related to these processes will be covered by the Bank.

5.1.3 Measures in respect of the customers who have paid less than 60% of their registered principal

By default, the debt collection will in respect of this customer group continue until a customer reaches the 60% threshold.

Moreover, the Bank has offered the customers with less than 60% repayment ratio to suspend their repayments at no additional costs from the end of September 2020.

Thus, the customers are given the right to decide to suspend their repayments even though there is only an insignificant risk of overcollection. The customers are informed of the option to suspend repayment by individual letters.

If a customer would prefer to suspend the repayment, the customer must call the phone number stated in the letter they have received, and their request will be implemented thereafter.

If a customer reaches the 60% threshold the customer will be notified, and further repayment of the debt is temporarily stopped until the correction of the individual case has been performed, in accordance with process described above under section 5.1.2.

5.1.4 Measures in respect of the customers with potential indirect losses

If a customer wants to bring forth a claim for potential indirect losses in consequence of the Bank's overcollection, the customer may use a webform, which is communicated to the customer as part of the remediation notification, to report and provide documentation for such indirect losses. Hence, the customer is referred to a webform through which the relevant documentation can be submitted.

A special hardship panel has been established and will assess compensation for indirect losses on a principle level as previously described to the DFSA. All customers will receive confirmation when their claim has been received by the Bank and will be contacted when their request has been reviewed.

5.1.5 DCA - Adjusted measures implemented

The Bank has outsourced the debt collection of 15,500 customers to third party DCAs. When customers are making repayments to such DCAs the payments are made to the bank accounts of the DCA (which may not be held at the Bank). The practical implication of this is that the neither the DCA nor the Bank is able to "block" ingoing payments from the customers handled by DCA's.

Consequently, this means that it has not been practicably possible for the Bank to implement the same measures as those implemented in respect of the greater than or equal to 60% repayment-category.

For these reasons the Bank has decided to adopt the repayment suspension for all 15,500 customers in relation to which debt collection has been outsourced to DCAs.

Due to the practical challenge of the Bank not being able to block or reject ingoing payments, the Bank has decided to implement the following measures:

- 1) The customer is informed (i) that the Bank has decided to suspend repayments from the customer and that the interest on the customer's debt has been put to zero, (ii) that the customer has to stop payment instructions to avoid making repayments, (iii) that any continued repayments are made at the risk of temporary overcollection, (iv) that the customer will be able to request any payments

made after receipt of the letter to be returned to the customer upon the customer's request, and (v) that the customer will be informed when the customer's debt has been corrected and the result of the recalculation and to which extent the customer is compensated.

- 2) If payments are received from a customer after the customer's receipt of the first letter, a second letter is sent in which the customer again is informed of the customer's right to request the payment returned and that any continued payment will be at the risk of temporary overcollection.

5.1.6 Number of customers covered by the suspension

From the total of 250,000 customers registered in Denmark, 152,000 are closed customers and 98,000 are active customers. Out of the 98,000 active customers that are potentially in scope for being suspended, 89,000 customers are covered by the suspension in the sense that they have either had their payments automatically suspended or have been offered the opportunity to suspend payments.

- 28,000 customers have been suspended according to section 5.1.2 (12,500 customers who has their debt collected by Danske Bank) and 5.1.5 (15,500 customers who has their debt collection outsourced to DCAs)
- 61,000 customers have been offered to suspend repayment according to section 5.1.3 (26,000 customers under 60% repayment ratio and 35,000 customers with no registered payment)

9,000 customers who have already had their debt corrected have not been suspended and they have been informed that the debt collection will continue as before.

5.1.7 Measures implemented in respect of new cases or new repayment agreements

As stated in the Bank's letter of 10 September 2020 to the DFSA, the Bank has implemented the following measures in respect of "new cases" to avoid wrongful debt collection from customers:

- 1) All new debt collection must be manually corrected before any debt collection is commenced. Therefore, all new cases are processed according to the updated Standard Operating Procedures that take into account the remediation of the root causes identified;
- 2) No new cases may be brought to court without a prior manual correction have been made; and
- 3) No ongoing cases may be finally closed by the Bank, e.g. final regular payment, or in case of a request for an extraordinary repayment, without the case being manually corrected to ensure the customer has not been subject to overcollection.

5.2 No cost requirement - Implementation of no interest and no fees policy during suspension period

5.2.1 General

The Bank has implemented an interest rate of zero in respect of the debt of all non-corrected active customers. The zero interest has been applied to all 89,000 customers covered by the suspension.

The Bank is not charging any fees in connection with the implementation of the suspension period and the various choices the customers have in respect of opt-in or out of the repayment suspension period.

5.2.2 Practical exception with respect to foreign payments

Repayments made by foreign customers, whereby they have repaid more than or equal to 60% of their debt, have been blocked due to the risk of overcollection not being insignificant. For these customers, payments will be blocked and sent back to the transferring account(s). For these international payments, additional

cost might be incurred by the customer in the form of money transfer fees. The Bank will compensate customers for costs in connection with the payment or reversal of one or more payments. In that case, the Bank asks the customer to inform and send the Bank documentation for costs incurred by email. These customers have received a specific letter informing the customers how they can be compensated for the additional cost that may have occurred.

5.3 Closed debt collection cases - information to customers of recalculation

The customers who have already repaid their debt in full, or in cases where the debt has otherwise stopped to exist, the customers have been informed that they may be affected by the data flaws. As with all active cases, the customers have been informed that the recalculation is expected to be completed at the latest by July 2021 and that the customers will be compensated in the event of any overcollection.

- 96,000 customers: All closed cases with payments will receive a letter informing them that their case is under investigation.
- 56,000 customers: All closed cases with no payments will receive a letter informing them about potential data quality issues and an option to submit an indirect claim.

5.4 Documentation for compliance with DFSA Orders 1 and 2

Out of the 194,000 customers in scope for individual communication, 153,000 customers have been notified that they may have been affected by the wrongful debt collection and what is planned for their specific debt collection case. 53 different types of customer letters have been prepared and sent to the relevant customer groups. The remaining 41,000 customers requires additional effort and coordination with external partners before a notification can be forwarded to the relevant party.

As documentation for the Bank's compliance with Order no. 1 and 2 an overview of the various categories of letters sent to the customers is enclosed as Appendix 5. The Bank has and will continue to allocate the required resources in order to rectify the flaws and to compensate all affected customers as soon as possible.

ORDER NO. 3 AND 4

As stated in our response letter to the DFSA of 10 September 2020, during our internal investigations the Bank has identified a number of issues that may have had an impact on our customers (the Additional Issues described in appendix 2.5 of the response to the DFSA of 10 September 2020). In relation to these Additional Issues, the investigations are ongoing and facts, potential impact, and magnitude need to be further clarified. A status overview and further description for each Additional Issue is set out in Appendix 2 to this letter.

In order to comply with Order 3 and 4 and stop or limit potential wrongful collection activities on the Additional Issues and communicate to affected customers, Danske Bank is using a structured framework to identify the progress level of each individual issue and to ensure a structured and efficient approach to the handling of each Additional Issue. Each Additional Issue is analysed and handled in accordance with the structure set out in Appendix 3 to this letter.

The Bank proceeds to investigate all the Additional Issues and monitors if any of the Additional Issues should require suspension of debt collection, if the risk of wrongful collection cannot be limited to an acceptable level. The potential impact of the Additional Issues may vary in significance both for customers and the Bank. Possible affected customers will be notified and compensated in accordance with the Orders from the DFSA.

UPDATES

We will send an update on all the matters covered by the Orders on a regular basis. However, we will of course notify the DFSA without delay if we in the meantime should become aware of any material new information, including information that should change information we have previously provided to the DFSA.

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Yours sincerely,

Frans Woelders
Chief Operating Officer

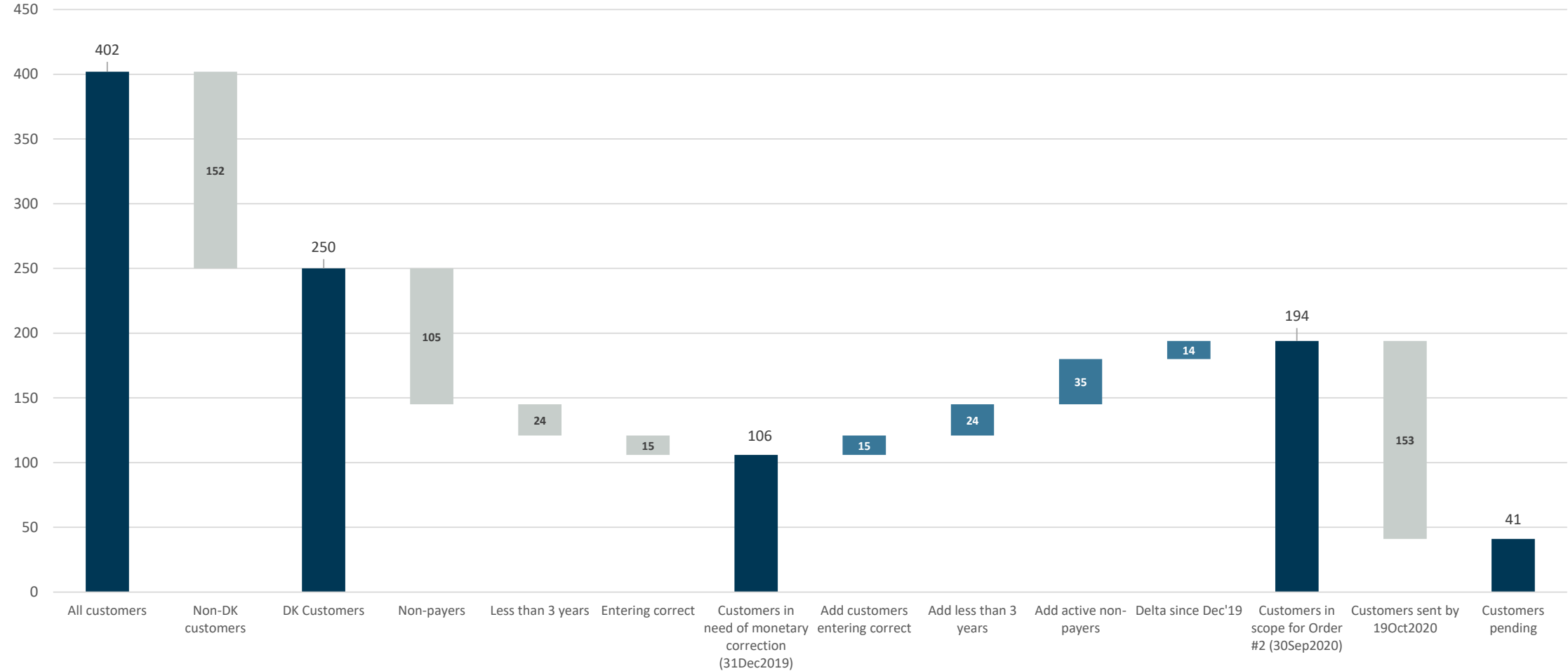
Rob de Ridder
Head of CSD

Appendices

1. Breakdown of customers in scope
2. Additional Issues
3. Additional Issues framework
4. Customer remediation plan
5. Customer notification overview

Appendix 1. Breakdown of customers in scope

Customers in scope for remediation versus customers in scope for Order 2



APPENDIX 2. ADDITIONAL ISSUES

STATUS OVERVIEW OF ACTUAL AND POTENTIAL ISSUES FROM APPENDIX 2.5 (THE ADDITIONAL ISSUES)

Title

1. Closed court cases
2. Dunning fees
3. Erroneous off-set correction between Danske Bank and Realkredit Danmark
4. Risk Markers Practice
5. Treatment of vulnerable customers
6. Interest rates applied on defaulted loans
7. Evaluation of Tableau data
8. Legal fees allocated towards court cases
9. Legal fees incorrectly merged with principal
10. Home issue
11. Inaccurate tax reporting
12. GDPR
13. Outsourcing to Debt Collection Agencies
14. Asset Finance - Nordania Finans

1. CLOSED COURT CASES

Previous information to DFSA:

"Data flaws in DCS and PF may have impacted a number of closed court cases involving our customers. This may have meant that the outcome has negatively impacted those customers and in some cases this could also affect other third parties involved in the case."

Issue definition:

The flawed data in DCS and PF resulting from the four root causes has meant that a number of court cases such as bankruptcies, debt relief cases and insolvent decedent estates have been closed with erroneous claims of the Bank. The affected customers will be remediated. In case of insolvency proceedings, Danske Bank will as a consequence of the erroneous claims have received erroneous dividends to the detriment of other third-party creditors. The Bank is currently looking into whether and how any third-party creditors should/can be remediated and what a prudent model for that may be. Please note that the scope of this issue has changed from the previous DFSA response as the investigation is now also focusing on third-party creditors. Any customer impact will be remediated in accordance with the main redress activities.

Status progress:

We are still working on understanding the exact impact of this issue and how remediation can take place. Remediation of any third-party creditors is generally challenged by the fact that the Bank may not have the necessary details, e.g. the names of impacted third party counterparties. Moreover, besides for bankruptcy estates there are generally not any rules on how to deal with a situation like this. The impact analysis and the analysis of the possible remediation measures are complex due to the variety of cases, which are governed by different legal frameworks.

Potential or expected scope of impact of the issue:

- The impacted customers will be the customers impacted by the four root causes. The special circumstance about these cases is the context in which the customers have been impacted by the data flaws, which may have other consequences. As mentioned above, this is still being analysed. We currently expect this issue mainly to have an impact on dividend receiving third-party creditors as in most insolvency estates, besides e.g. personal bankruptcies, an erroneous claim will not have a negative effect on the customer. On a general level, we currently expect the impact on each other creditor to be rather insignificant, however, depending on the specific case the impact could vary.

Issue stopped to prevent any further impact:

- Yes. As of 17 June 2019, a procedure has been adopted pursuant to which a case must be corrected before a claim is submitted in court proceedings relating to the case. All "live" court cases within the GRDM business area have been corrected. As stated in our letter of 17 September 2020, certain "live" court cases within the Insolvency Department have not yet been recalculated but a procedure for a manual "fast track" recalculation has been adopted to ensure that no cases are closed based on wrongful information on the debt.

Mitigation:

- New court cases are being corrected prior to submission of a claim.
- Customers affected have been informed and will be remediated under the main redress activities.
- Approach for potential remediation of third-parties creditors is under consideration and analysis.

2. DUNNING FEES

Previous information to DFSA

"When a customer receives a dunning notice a fee is charged and interest is added to the dunning fee and charged to the customer. A working group has been established within the Bank in order to identify and remediate any losses suffered from unjustified accrued interest on dunning fees."

Issue definition:

The issue definition as previously communicated to the DFSA remains unchanged. A separate program within the Bank has been established in order to identify and remediate any losses suffered from unjustified accrued interest on dunning fees (in Danish: Rykkergebyrer).

Status progress:

The Bank has employed the assistance of external parties in order to assist with the issue identification and carry out of the subsequent communication and remediation activities. The size of the portfolio and complexity of the dunning fees issue represent an impediment in proceeding with the customer communication and further analysis of the impact.

Potential or expected scope of impact of the issue:

- Potentially all customers that have received dunning fees from Danske Bank A/S and Danish affiliates. Scope is subject to further investigation and confirmation in other entities and jurisdictions.
- Although a high number of customers may be impacted it is the expectation that the financial impact on each customer will be rather small as the impact will typically be the interest on a maximum of DKK 300 on an account level.

Issue stopped to prevent any further impact:

- Yes, collection of new dunning fees stopped on 3 September 2020 in Danske Bank A/S Denmark.

Mitigation:

- All dunning fee charging has been stopped in the Danske Bank A/S in Denmark thereby ensuring no new fees will accrue interest;
- Separate remediation principles will be established;
- The bank is currently mapping processes on accruing interest rates on dunning fees in other legal entities and jurisdictions.

3. ERRONEOUS CORRECTION PRACTICE BETWEEN DANSKE BANK AND REALKREDIT DANMARK IN 20%-GUARANTEE CASES

Previous information to DFSA

"Risk of potential unjustified off-set between Group entities. The practice has been stopped pending further analysis"

Issue definition:

For cases where a 20% guarantee has been issued between Realkredit Danmark and Danske Bank, and the customer enters Debt Collection, a potentially wrongful setoff has been applied between Danske Bank and Realkredit Danmark. This is an issue as this is an offset across separate legal entities without the customer's consent. After further analysis the issue has been confirmed to have happened both in cases where the correction has required an offset in the PF system and in cases where the correction has required an offset in the DCS system.

The wrongful correction is a result of an incorrect practice with the persons correcting the debt cases.

Status progress:

- The erroneous correction practice of 20%-guarantees cases (i.e. impacting the Debt Split Customers) has been stopped.
- New correction process for 20%-guarantees is being legally assessed.
- Impact of erroneous correction process is under investigation.

Potential or expected scope of impact of the issue:

- All customer cases corrected with a 20%-guarantee product.

Issue stopped to prevent any further impact:

- Yes, as of 1 October 2020, the unjustified setoff in between entities was fully stopped with a stop to all correction of 20% guarantee cases. This is a wider stop than initially implemented on 30 June 2020 and is implemented based on deeper understanding of the issue as a result of further analysis.

Mitigation

- New correction process for 20%-guarantees to be implemented based on legal assessment.

4. RISK MARKERS PRACTICE

Previous information to DFSA:

"The DCS and PF systems automatically assign a customer a D4 rating (the lowest credit rating possible), when the customer defaults on instalments and is transferred to the systems. A consequence of having had a defaulted loan is, that the customer is kept in the D4 category 5 years after the debt is fully paid off. Further investigations in relation to whether customers are held wrongfully in the D4 category due to the systemic data flaw is initiated"

Issue definition:

The flawed data in DCS and PF resulting from the four root causes might potentially have an erroneous impact on the internal risk markers. The Bank is currently investigating if the potential wrongful internal risk markers (D4) could have led to a customer detriment.

Moreover, Group Recovery & Debt Management has incorrectly reported certain debtors to RKI with a wrong balance due to the data flaws in DCS and PF. Currently pending investigation if the RKI remark was merited by the individual customer given their debt and status.

Please note that the scope of this issue has changed from the previous DFSA response as the investigation is now also focusing on the external RKI remark; how it affects the customer and what mitigation actions are appropriate if customers did not merit to be reported to RKI.

Status progress:

Further portfolio analysis to confirm if the customers in fact were in scope to be reported to RKI as well as outline the reported customers and their reported balance so that it can be mitigated with RKI/Experian. The portfolio analysis is complex due to the Bank not having a full internal record of customers that have been reported to RKI. Therefore, the issue is currently being investigated on customers that have been reported in the last 5 years and whose RKI remark has not expired.

Pending clarification of whether the potential wrongful internal risk markers (D4) have led to a customer detriment.

Potential or expected scope of impact of the issue:

- Customers with D4 credit rating and affected by the four root causes
- Currently reported to RKI customers will be defined; expired RKI remark customers will be treated under the remediation activities and customers will have the option to submit indirect claims. Only private customers are in scope for the investigation.

Issue stopped to prevent any further impact:

- Yes, as of 17 June 2019 the wrongful RKI balance reporting mitigated as customers are reported to RKI only after a court decision has been reached and all new court cases are corrected prior to submission.

Mitigation:

- Future RKI reporting is based on the correct balance.

5. TREATMENT OF VULNERABLE CUSTOMERS

Previous information to DFSA:

"Danske Bank's debt collection approach towards vulnerable customers is currently under investigation to identify if sufficient considerations for such the customer's situation are made in the debt collection process. A group-level policy is being developed to ensure the rightful and considerable treatment of vulnerable customers across Danske Bank."

Issue definition:

This issue is not a remediation project but rather a review of conduct practices in relation to vulnerable customers. In that connection the Bank is looking into what standards need to be formalised to ensure that practices associated with the collection of debt for customers in special situations such as long-term illness etc. are aligned with the Bank's expectations on fair treatment of customers.

We note that the scope of the issue has been clarified from previous DFSA response.

Status progress:

Currently, the investigation has identified that Danske Bank has no strict legal obligation to treat vulnerable customers differently than other customers, however the Bank is currently evaluating its treatment of vulnerable customers.

Potential or expected scope of impact of the issue:

- Not applicable - The conclusion is that there is no regulatory issue.

Issue stopped to prevent any further impact:

- Not applicable - The conclusion is that there is no regulatory issue.

Mitigation:

- No mitigation is currently contemplated as the current analysis is that the Bank has not employed any unlawful practice towards the relevant customers, but policy level standards will be implemented.

6. INTEREST RATES APPLIED ON DEFAULTED LOANS

Previous information to DFSA:

"The issue arises in a situation where a customer defaults on their loans and an incorrect interest rate is applied during the default period. Indicatively the interests given to the customers were significantly lower than the standard interest rates applied to defaulted loans."

Issue definition:

The issue arises in a situation where a customer defaults on their loans and an incorrect interest rate is applied during the default period. Our investigation so far indicates that the interests for the customers were significantly lower than the standard interest rates applied to defaulted loans and in some cases negative. Furthermore, the Bank is currently engaging into a proactive retrospective exercise in order to create a full overview of the interest rates in order to ensure all customers interest rates are aligned with best market practices.

Status progress:

The investigation has identified that some of the applied rates on the debt were lower than market acceptable rates, and in some cases, it was lower than zero, which in the end worked to the benefit of the customer. The process has been changed and negative interest rates are no longer applied. Rates are automatically set to zero for cases with negative interest rates.

The Bank is also engaging into a retrospective exercise to map out all customer applied interest rates in order to ensure that all rates are set according to current best market practices.

Potential or expected scope of impact of the issue:

- Not applicable at this point as the customers was repaying less than they were supposed to.

Issue stopped to prevent any further impact:

- Yes, the practice was adjusted May 2019: The rate on debt is manually set to zero for cases with negative interest rate.
- May 2020: The rate on debt is automatically set to zero for cases with negative interest rate.

Mitigation:

- Not applicable at this point as no negative customer impact – pending finalization of retrospect analysis of higher than zero interest rates.

7. EVALUATION OF TABLEAU DATA

Previous information to DFSA:

"The poor data quality in the systems was reported to Tableau - the internal KPI-tracking database of Danske Bank. Reporting from Tableau was therefore inaccurate, providing a less accurate foundation for operational decision making. The issue has been solved by Customers Service Delivery. No risk assessments have been made using the previously erroneous data."

Issue definition:

The flawed data in the debt collection systems has been reported to Tableau - the internal KPI-tracking database of Danske Bank. Reporting in Tableau was therefore incorrect, potentially providing a less accurate input for operational decision making.

Status progress:

Our current investigations are focusing on identifying if and to what extent the Tableau data was used in operational decision making or not. A qualitative assessment is ongoing to identify if the flawed Tableau data could have led to decisions with customer impact.

Tableau data is only one of the factors used in operational decision making, therefore it is difficult to pinpoint what specific decision were influenced by the inaccurate data.

Potential or expected scope of impact of the issue:

- The Bank does not currently expect any adverse customer impact as a result of the issue but that is still to be confirmed.
- Exact scope to be determined.

Issue stopped to prevent any further impact:

- Current analysis indicates that the data points from the systems presented in Tableau were never used for business decisions, but might still be used on the operational side e.g. regarding workload planning etc.

Mitigation:

- The Bank has stopped using the flawed Tableau data until the investigation is completed.

8. LEGAL FEES ALLOCATED TOWARDS COURT CASES

Previous information to DFSA:

"Preliminary investigations indicated erroneous legal fee allocation in specific cases implemented in DCS. Legal practice is to allocate court awarded fees and not actual fees incurred. This matter has been investigated further and a sample check is ongoing. The midway check points show currently no errors."

Issue definition:

The Bank has become aware that practice within Group Recovery & Debt Management of charging the actual legal fees instead of the awarded legal fees in connection with court cases may have existed. It is only permitted to apply the court awarded legal fees. The Legal Department in Debt Management was established in 2008 in order to insource the court cases, which subsequently ensured that the application of the legal fees in Debt Management should be correct. The team did create Standard Operating Procedures pursuant to which only the awarded legal fees were applied, in accordance with the regulatory restrictions. We have carried out a sample check confirming that the issue was discontinued after 2008. Our further investigation revealed that:

- Cases in and before 2008:** A systemic procedure of charging the actual legal fees instead of the court awarded legal fees has been confirmed by subject matter experts.
- Cases after 2008:** A sample check has been concluded on 9 October 2020, which shows no errors in the customer portfolio post 2008.

Status progress:

Cases before 2008: An investigation of the pre 2008 portfolio of customers in Debt Management with court cases will be initiated in order to identify the origination of the issue as well as the total scope and impact on the customers.

Cases after 2008: Currently the project has focused on confirming that the customers are currently not wrongfully incurred the actual legal fees but rather the court awarded legal fees, and that the Standard Operating Procedure has mitigated the issue.

Potential or expected scope of impact of the issue:

- Preliminary investigations show that the issue may only impact private customers with court cases handled by external lawyers pre 2008. The exact scope and impact are to be analysed and is currently uncertain.

Issue stopped to prevent any further impact:

- Yes, the practice stopped in 2008.

Mitigation:

- Based on the current investigations, the issue seems to have been mitigated for cases after 2008 due to the Standard Operating Procedures adopted in 2008.
- To the extent customers in the pre-2008 portfolio have been impacted by the issue, they will be compensated by the Bank.

9. LEGAL FEES INCORRECTLY MERGED WITH PRINCIPAL

Previous information to DFSA:

"In very rare fraud cases, there might be a risk of legal fees being wrongfully included in the principal amount. However, this is only considered erroneous if the legal fees allocated are the actual incurred legal fees instead of the court awarded legal fees. This potential issue only exists if the abovementioned sample check against our expectations will indicate an erroneous application of legal fees."

Issue definition:

The current investigation is focusing on identifying if any legal fees (court fees) awarded to cases prior to entering Debt Management are wrongfully merged with principal amount. Root cause pending confirmation if issues are being identified. Scope expanded from previous DFSA communication as the team is also investigating cases within the Insolvency Unit (business customers) in order to fully disconfirm the issue from the entirety of the portfolio.

Status progress:

The issue is still being investigated:

- Awaiting confirmation if the awarding of legal fees and merger with principal is an issue for business and private fraud cases;
- Confirmed that private customers (non-fraud) did not have wrongful mergers of legal fees with their principal prior to entering Debt Management. Long standing credit process and reminder system ensured that cases go to court only in Debt Management.
- The only allocation of legal fees in private cases is occurring when customers has been through court proceedings.

Potential or expected scope of impact of the issue:

- Fraud cases. Exact scope to be determined. Expect the scope to be (very) limited.

Issue stopped to prevent any further impact:

- This was a theoretical potential issue that has not yet been identified in practice.

Mitigation:

- New cases are being corrected prior to court submission.

10. HOME ISSUE

Previous information to DFSA

"We are looking into an area where there may have been a conflict of interest in respect of agency fees in situations involving voluntary deficit sales. The issue has been fully isolated to Home and the procedure has been corrected in July 2019 in order to cover any potential issues. The designated team has identified the nature of the issue and concluded that state and condition of the properties was not taken into consideration in the initial analysis. The project has analyzed the full portfolio of customers with voluntary deficit sales and conducted a thorough analysis on the approved fees incurred and approved on the sales portfolio."

Issue definition:

Danske Bank has identified a conflict of interest in the voluntary deficit trade documentation where Home A/S was granted a permanent exemption from having their real estate fees negotiated while the other real estate agents' fees were not (i.e. there was a requirement for the Bank to negotiate the fees of other real estate agents if they exceeded a certain threshold).

- Scope changed from DFSA communication as a conflict of interest has been confirmed in a work description document
- Danske Bank is currently investigating if customers have been adversely impacted by the issue
- The conflict of interest has been mitigated in July 2019.

Status progress

The project is currently investigating if the conflict of interest created by the work description document has created any individual detriment on the customer and their voluntary deficit trades. The investigation and data analysis of this issue is complex due to a number of factors, including the complexity of real estate parameters used, assessing the accurate price for each individual property and the period of time that has passed.

Potential or expected scope of impact of the issue:

- All customers with voluntary deficit trades handled by Group Recovery & Debt Management using Home
- To be established if any customers have been adversely affected by the practice
- Conflict of interest consequences to be further investigated

Issue stopped to prevent any further impact:

- Yes, the practice stopped in July 2019.

Mitigation

- The document causing the potential issue was amended in July 2019 whereby the issue was removed going forward.
- Work description document that created the conflict of interest has been mitigated and process has been restructured in order to create full transparency and controls in the procedure

11. INACCURATE TAX REPORTING

Previous information reported to the DFSA:

"Danske Bank may, as a consequence of root cause 1, have reported an incorrect interest amount to the tax authorities leading to an incorrect tax relief on interest for some customers. Customers that have suffered any loss related to incorrect tax reporting of the Bank will be compensated in full. Danske Bank has contacted the Tax authorities regarding the matter."

Issue definition:

Danske Bank may, as a consequence of root cause 1, have reported incorrect interest amounts to the tax authorities leading to an incorrect tax relief on interest for some customers. Customers impacted by inaccurate tax reporting may therefore have had incorrect tax returns for the year (s) in which the incorrect interest has been deducted. The customers' tax returns may have to be recalculated.

Current status and progress:

Danske Bank is obliged to report interest amounts to the Danish Tax Authority and cannot guarantee that there is no inaccurate tax reporting until all customer cases have been corrected. Ongoing clarification with the Danish Tax Authority for alignment on correction process, communication and procedures for how affected customers tax reports can be remediated. On 12 October 2020 the Danish Tax Authority has on a preliminary basis indicated that the remediation amount is tax-exempted, but the time compensation is taxable.

Potential impact and scope:

- All customers affected by root cause 1 in scope for incorrect tax reporting in scope for correction of previous years reports.
- All customers in scope for remediation and redress are in scope for coordination on redress and repayment coordination.
- Potential ongoing inaccurate Tax reporting

Issue stopped to prevent any further impact:

- Practice continues until the correction of the individual customer cases has been performed. The Tax Authorities are informed of this approach.

Mitigation:

- All customers will be remediated under the core remediation activities.
- All customers will be corrected, and correct data will be reported to SKAT.

12. GDPR

Previous information reported to the DFSA:

"The Bank may not have complied with certain elements of GDPR as a result of having flawed data in DCS and PF and is engaged with the Data Protection Authorities on this issue."

Issue definition:

The Bank acknowledges that it has not complied with certain elements of GDPR as a result of having flawed data in DCS and PF. The Bank has been engaged with the Danish Data Protection Authority on this issue.

Current status and progress:

- All individuals affected by data accuracy issues will receive an information letter outlining detected data quality issues.
- The Bank has begun informing individuals regarding the detected data quality issues as of October 2020. Communication to all natural persons will be completed no later than July 2021.
- Additional system fixes planned to limit the extent of new data errors.
- Historical data errors will be corrected under manual and automated processes.

Furthermore, the Data Protection Authority has been informed about the potential data breach created by the data accuracy issues.

Potential impact and scope:

- The impacted individuals are amongst all 250,000 debt collection customers in Denmark.
- The Bank is currently investigating if customers will be eligible for an additional compensation as a consequence of the data accuracy issues. The indirect claims process has been established to accommodate this by offering natural persons the option to submit any kind of additional loss including losses referencing GDPR.

Issue stopped to prevent any further impact:

Partially:

- System updated to correctly handle partly paid interest and fees, prior their transfer to Debt Collection Systems. Implemented on the 24th of March 2020.

Mitigation:

- New data errors are being mitigated through a system compliance project.
- The impact on customers is being mitigated by suspending collection on customers with a risk of overcollection that is not insignificant and through the manual correction process.

13. OUTSOURCING TO DEBT COLLECTION AGENCIES

Previous information to DFSA:

The Bank outsources debt collection activities to a number of debt collection agencies which act on behalf of the Bank using the data provided by the Bank. The Bank is assessing and mitigating any potential additional issues created.

Issue definition:

Danske Bank and Debt Collection Agencies (DCAs) data flows have lacked coordination due to a poorly implemented reporting flow, which created inconsistencies in the customer data. Currently, the investigation is focusing on better understanding the issue and to identify if customers are being affected by the issue or if only the partnership and data flows must be improved. No scope changed in the issue.

Status progress:

All customers within DCA collection have had their debt collection suspended except for cases previously corrected. A number of customers were not suspended as specific payment methods could not be stopped due to technical factors. For further details on the suspension of debt collection from these customers, please refer to the enclosed letter.

The Bank is still analysing the possible impact of the issue. The immediate focus of the investigation will be to conclude if the customers are affected by the inefficient reporting flow. The analysis is complex and will consequently take some time due to the following:

- The complexity of the DCA relationship and data flows is what's preventing Danske Bank from identifying all the potential root causes in the DCA collection process. Root cause and impact analysis across multiple DCA's is required.
- Dependency on the DCA collaborating with Danske Bank in finalizing the customer analysis and improvement of the reporting flow.
- Dependency on the external DCA' systems with the respective DCAs.

Potential or expected scope of impact of the issue:

- All Danish DCA customers are in scope.
- Currently, no customer is expected to be at risk of continued overcollection as all collection from customers are stopped from DCAs.

Issue stopped to prevent any further impact:

- Yes, the practice stopped across DCAs due to the suspension of payments. No new cases have been outsourced since medio October 2019.

Mitigation:

- Collection suspended.
- Further mitigation actions will depend on the outcome of the further investigations.
- Reevaluate the DCA agreements and outsourcing governance (based on latest regulations).

14. ASSET FINANCE - NORDANIA LEASING

Previous information to DFSA:

We are looking into private agreements where dunning fees have been charged more times than permitted. On the basis of the Bank's investigation of the calculation of interest on fees, Asset Finance has established that there may be a challenge in relation to the collection of default interest on reminder fees in the Bank's corporate agreements.

Issue definition:

We are investigating private and corporate agreements where dunning fees have been charged more times than permitted; the investigation is currently focusing on identifying the affected portfolio and ensuring that customer communication and remediation activities will be established.

Furthermore, based on the investigation of the calculation of interest on dunning fees an issue related to the collection of default interest on some corporate agreements has been identified; issue is pending legal assessment. The investigations have shown no issue on interest calculation on fees on private agreements in Asset Finance, as default interest is not charged on private customer agreements.

Status progress:

Asset Finance is conducting the investigation and as of 10.09.2020 all dunning fees has been stopped and it is currently being investigated, what the total impact of the issue is, and prior to establishing customer communication. The issue has been escalated in the Group and an ORIS event has been reported. 3rd party lawyer involved and legal assessment in progress with the aim at identifying if the interest on corporate dunning fees is in breach of legal framework as some contracts allow for calculating interest (not applicable to private customers). Multiple actions have already been taken; steering group and task force established. First priority is to investigate and find data on the affected debt collection customers.

Potential or expected scope of impact of the issue:

- All customers that have received more dunning fees than permitted;
- Corporate customers that received dunning fees pending – Pending issue identification;
- Any cross jurisdictions impact is being investigated.

Wrongful practice/issue stopped to prevent any further impact:

- All dunning fees have been paused in the organization as of 10.09.2020.

Mitigation:

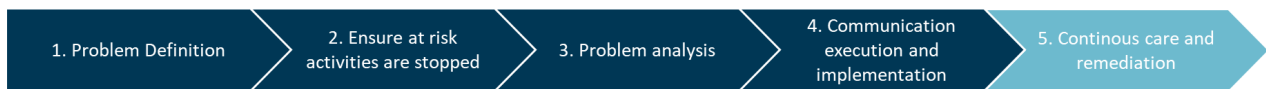
- Dunning fees stopped for Asset Finance Denmark customers;
- Asset Finance is currently mapping processes on accruing interest rates on dunning fees in other jurisdictions.

Appendix 3. Additional Issues framework

In order to comply with order 3 and 4, a five-phase approach has been employed on each individual reported and identified side issue listed in Appendix 2.5 of our response letter to the DFSA of 10 September 2020.

The Bank is using this framework in order to identify the maturity level of each individual issue as well as overlay the upcoming activities for each individual issue in the context of customer and internal activities. Due to the Bank operating the Side issues under the context of the DFSA orders, it is not expected that the framework will be employed as a standard framework for all issues outside the scope of the current communication as the nature of any potential issues and any external dependencies must be taken into consideration when outlining the activities.

The framework employed is called "Additional Issues" framework and its purpose is to introduce a maturity assessment, as well as outline the impediments for the issue in order to internally assess the required activities to fast track the progression of the issues if customer risk is identified. The framework outlines a 5 phase's step where the issues are assessed in comparison to both the maturity level (understanding of the issue) as well as its compliance with the DFSA order.



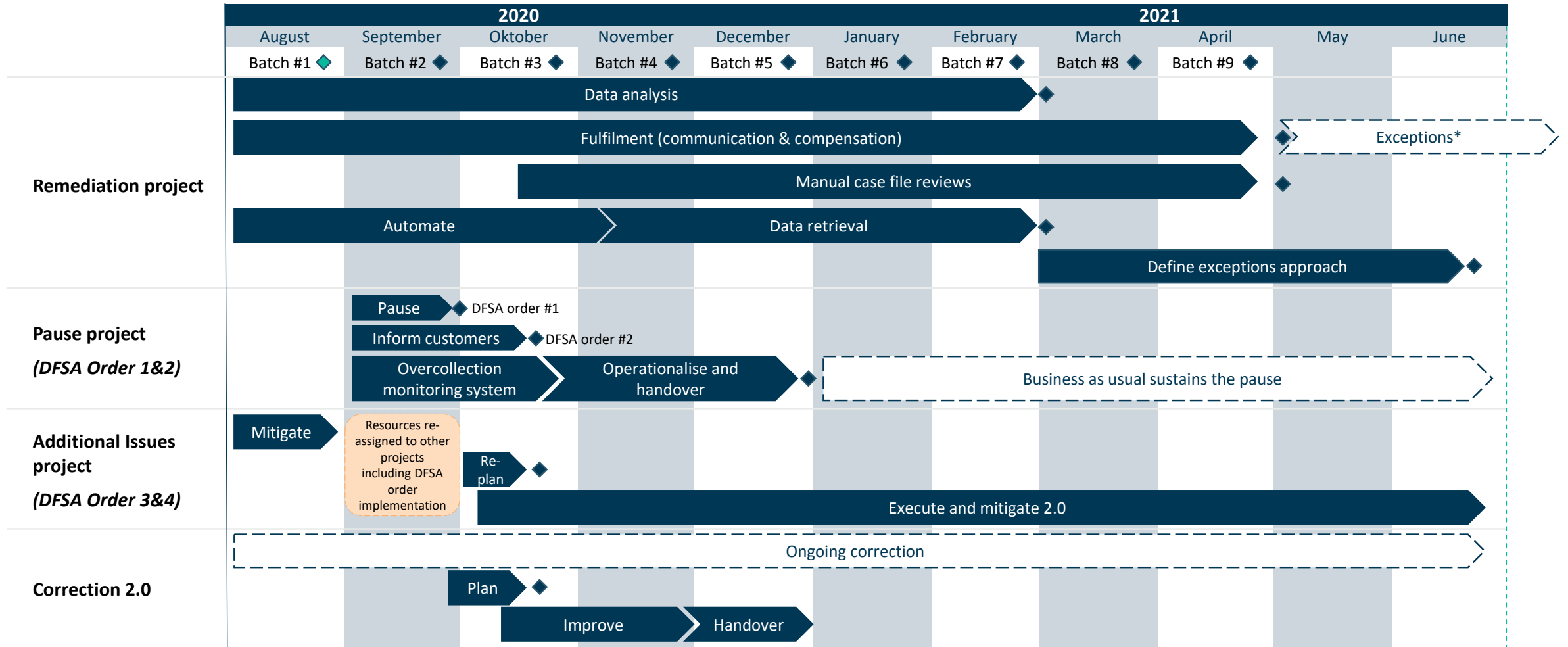
The need for a standard framework has risen from the need to streamline each individual issue in order to ensure its compliance with the DFSA orders on side issues, therefore, the orders have been embedded within the phases. Furthermore, due to the complex and different nature of the side issues, the framework will only be used as guidance for assessing the current maturity level, but it will not prevent future activities from being prioritized if such a need is required.

The reason behind embedding the flexibility in the phases is required in order to comply with order 4 of the DFSA which states that customers at risk must be communicated as soon as possible. This order requirement is addressed individually for each issue as different maturity levels are required in order to comply with the communication requirements.

Depending on the nature of the side issue, different activities may be required in each phase and generally speaking, if customer detriment is identified, the Bank will ensure that all activities required in order to comply with the orders are prioritized and customer experience and interest are maintained within the approach.

Appendix 4. Customer remediation plan (1/2)

The remediation of customers and execution of all DFSA orders by July 1 2021; plan for remediation exceptions in place at same time



*A small number of cases will require extraordinary work to identify and verify the contact information. Hence for a very small portion of customers the remediation scope will extent beyond end of June 2021.

Appendix 4. Customer remediation plan (2/2)

Plan to complete remediation of 106,000 customers in scope before July 2021

Batch #	Date	Customers remediated	Cumulative number of customers remediated	Technical dependency
Batch 0	18 th June 2020			
Batch 1	25 th August 2020	17,000 customers	17,000 customers	System data available; calculation parameters defined for DCS customers
Batch 2	17 th September 2020			
Batch 3	22 nd October 2020	9,000 customers	26,000 customers	Robot process automation (RPA) tool implemented for DCS customers which provides system data; calculation parameters defined for DCS customers
Batch 4	19 th November 2020	21,000 customers	47,000 customers	Advanced RPA tool implemented for DCS customers which provides system data; calculation parameters defined for DCS customers
Batch 5	15 th December 2020	25,000 customers	72,000 customers	System data available; calculation parameters defined for PF customers
Batch 6	21 st January 2021	1,000 customers	73,000 customers	RPA tool implemented for PF customers which provides system data; calculation parameters defined for PF customers
Batch 7	18 th February 2021	33,000 customers	106,000 customers	Advanced RPA tool implemented for DCS customers affected by root cause 3&4 which provides system data; calculation parameters defined for DCS customers affected by root cause 3&4
Batch 8 & 9	23 rd March & 20 th April 2021	All customers that were not successfully remediated by prior batches will be manually handled		

Appendix 5. Customer notification overview

	Customers with active debt claims against them				Customers with closed debt claims against them	
Customer group	Customers with a repayment ratio equal to or higher than 60%	Customers with a repayment ratio lower than 60%	DCA customers	Customers with corrected cases	Customers with a closed debt claim and a repayment ratio higher than 0%	Customers with a closed debt claim and have never made a payment
Number of different letter types	8	22	11	8	4	Number of letter types pending analysis