

MEMO

Update to the Danish FSA

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UPDATE ON DEBT COLLECTION CASE

Background and purpose

On 21 September 2020, the Danish FSA imposed four orders on the Bank due to the non-compliance with the Bank's obligations to act fairly and loyally toward its customers in relation to the erroneous practice and the errors found in the Bank's debt collection systems. In addition, on 26 November 2020, the Danish FSA imposed an order for an impartial investigation of Danske Bank to assess the measures taken to rectify the flaws in the Bank's debt collection systems.

As previously stated, we regret any difficulties caused to our customers as a result of this matter. We are fully committed to getting the outstanding matters resolved and to compensating affected customers as quickly as practically possible. We will continue to progress further actions to ensure that sustainable solutions are implemented to embed improvements going forward. The purpose of this memorandum is to provide an update on the 1 July 2021 milestone communicated to the Danish FSA in the autumn of 2020. Furthermore, an update on the corrections of wrongful registration of customers' outstanding debt and the ongoing system corrections will also be provided.

The statements provided in this memo reflect the Bank's current status of the analysis and remediation. We will continue to progress further actions to ensure remediation and information of affected customers through implementation of sustainable solutions. Any amount mentioned in this memo is exclusive of any potential tax impact.

We appreciate and take all matters raised by the Danish FSA and the Impartial Reviewer very seriously and we will continue to commit ourselves to an open and transparent approach and remediate past mistakes. Should the Bank identify anything in the continued analysis, or any external observations that will change the statements provided, we will of course revert and rectify accordingly without delay.

The memorandum is divided into the following parts: (1) Executive summary, (2) Status on debt collection towards 1 July 2021 and (3) Focus areas after 1 July 2021.

1. Executive summary

The systemic issues identified as Root Causes 1-4 in the debt collection systems have led to wrongful registration of customers' debt, which could result in actual over-collection. Furthermore, multiple Additional Issues were identified that could have impacted customers.

According to our assessment the vast majority of the 254,000 customers in the debt collection portfolio - including 57,000 customers with closed cases without any payment of their debt - are affected by the systemic issues identified as Root Causes 1-4 and the Additional Issues.

The Bank expects the total number of customers entitled to redress for Root Causes 1-4 to be less than 15,000, as originally estimated. All customer cases, who have been through quality assurance (and which are not relating to court cases) and on whom the Bank keeps payment information will receive compensation by 9 July 2021.

As at 1 July 2021, 97% of the 197,000 customers will have been reviewed for Root Causes 1-4, and 6,300 of these customers have been subject to over-collection and will be compensated with a total amount of DKK 36 million, of which DKK 16 million is time compensation. Time compensation is paid for the period during which the customers should have had the money at their disposal. The remaining 3% of the customers are yet to go through quality assurance. Validation and any pay-out to these remaining 3% of customers are expected to be finalised well before year-end.

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Orders 1 and 2 – Debt collection systemic issues

Manual controls have been implemented to prevent further customer detriment until the implementation of system corrections. As per Order 1, all active customers, who repaid an amount higher than or equal to 60% of the debt registered at the time of entering late debt collection, have had their debt collection paused and all active customers have had their interest rates set to 0.

For Order 2, all reachable customers have been notified. We will have notified direct customers of special cases (closed debt reliefs, closed bankruptcies and closed estates) by 1 July of the potential effects of Root Causes 1-4, but 28,000 customers have been unreachable.

Orders 3 and 4 – Additional Issues

Of the 14 identified potential Additional Issues reported to the Danish FSA on 10 September 2020, our analysis resulted in three issues confirmed as not being an issue. For the remaining 11 confirmed issues, measures to meet Order 3 have been implemented where needed to mitigate the risk of over-collection.

For Order 4 notifications to customers potentially affected by the Additional Issues reported on 10 September 2020, a general notification to customers to the effect that they might be impacted by Additional Issues will be included in a status letter to be sent at the beginning of July, with a few letters following in August. Not later than end September 2021, a detailed individual letter for confirmed Additional Issues so far will be sent to customers who are expected to be affected.

Finally, our current analysis shows that eight of the 14 originally communicated Additional issues will result in customer remediation.

Since the communication to the Danish FSA on 10 September 2020, 13 potential Additional Issues have been identified. Overall, the measures taken to meet Orders 3 and 4 to stop or limit the risk of over-collection as well as notification of potentially impacted customers will be applied to all further identified Additional Issues.

Five of the 13 new potential Additional Issues have been analysed and four of them have been confirmed to be issues that require customer remediation.

As previously communicated, a high number of customers have been affected by the issues involving wrongfully collected interest on reminder fees in Denmark. An analysis of the similar issue in Norway has progressed further and the estimated number of customers in Norway are around 190,000.

In addition to the issue on wrongfully collected interest on reminder fees, estimates for the other Additional Issues analysed so far show that a further 10,000-15,000 customers might potentially be entitled to compensation. The Additional Issues are listed in appendix 2.

System corrections and cleansing of data

Seven out of 11 identified needs for system corrections have been implemented, but the last four system corrections will not be fully completed by September 2021.

What we will do next

The majority of all customers will receive a status letter at the beginning of July 2021, while the rest of the customers will receive a status letter in August 2021. Danske Bank will inform the customers that they can reach out to the bank if they do not believe that the outcome of the review is fair or if they want to ask for further information on the review result. The remaining customers who will receive letters in August are English-speaking customers, business customers, guarantors, bankruptcies and death estates. The reason for this is capacity challenges over the summer holidays, and a prioritisation of getting the letters to the majority of the customer (Danish-speaking private debtors).

Correcting the outstanding debt is a complex process. Given the identified potential Additional Issues and the risk of finding more issues, we expect both the correct registration of outstanding debt and the restart of paused debt collection to continue into 2022.

After analysing the Additional Issues, it is clear that the already identified need for strengthening the control framework around debt collection has grown in importance and initiatives have been initiated.

Finally, the development of the four outstanding system corrections will stretch into Q4 2021.

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Impartial Reviewer

The Danish FSA also issued an order for an Impartial Reviewer to assess the Bank's debt collection and remediation efforts. The scope of the review is to understand (i) whether the Bank's efforts to remediate and correct the errors in the Bank's debt collection systems (including the framework for the Bank's compensation of the affected customers) are appropriate and (ii) whether Danske Bank's new IT system can ensure that future debt collection will take place on a correct and adequate basis and be handled by means of appropriate controls. KPMG and Poul Schmith were selected as Impartial Reviewer. A total of 89 requests from the Impartial Reviewer have been completed with some 4,400 pages of material shared. Another 54 requests are currently in progress and the Bank have received 160 new requests from the Impartial Reviewer in weeks 23 and 24. The Danish FSA and the bank are in dialogue on a revised timetable for the completion of the Impartial Reviewer's work.

2. Status on debt collection towards 1 July 2021

The core deliverables towards 1 July 2021 can be divided into the following categories

- a) **Danish FSA Orders 1 & 2:** Interest rate set to 0% for all customers and debt repayment paused if repayment ratio is over or equal to 60%
- b) **Review for over-collection:** All customers reviewed for Root Causes 1-4. A group of customer cases pending quality assurance
- c) **Danish FSA Orders 3 & 4:** 27 potential Additional issues identified, and analysis completed for 19 of such issues
- d) **Strengthening future debt collection:** Core collection processes being improved
- e) **System corrections:** Seven out of 11 system corrections implemented
- f) **Restarting debt collection:** Restart postponed until determination of remaining debt

a) Danish FSA Orders 1 & 2: Interest rate set to 0% for all customers and debt repayment paused if repayment ratio is above or equal to 60%

All active customers who have not been manually corrected and who are potentially affected by wrongful debt collection due to Root Causes 1-4 had their interest rate set to zero – and will remain to be in this position until their cases have been concluded – in order to comply with Order 1 and to mitigate risk of over-collection.

Additionally, to stop or limit the risk of over-collection as required by Order 1, Danske Bank offered non-manually corrected active customers the possibility to pause repayment of debt if they had repaid below 60% of the debt registered at the time of entering late debt collection. If these customers had made repayments above or equal to 60%, Danske Bank had automatically paused their debt collection, with the opportunity to continue repayment if so desired by the customer.

Measures to meet Order 2 were taken in October 2020, when all customers potentially affected by wrongful debt collection due to Root Causes 1-4 were informed. For a group of 28,000 unreachable customers, 18,000 customers have no data contact information and 10,000 have incorrect data contact information (e.g. old addresses with no new contact). Danske Bank will try to contact the 10,000 customers again.

As at 2 June 2021, we have for customers who were manually corrected, applied the same rules regarding an interest rate of 0% to all customers and pausing debt collection where the customers prior to entering late debt collection have repaid above 60% of the debt registered at the time of entering late debt collection. These customers were thought not to be affected, but a detailed analysis indicates that these customers might be at risk of being impacted by one or more of the Additional Issues. This action has been initiated to mitigate any further potential detrimental treatment until the Additional Issues have been fully analysed.

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b) Review for over-collection: All customers reviewed for Root Causes 1-4. A group of customer cases pending quality assurance

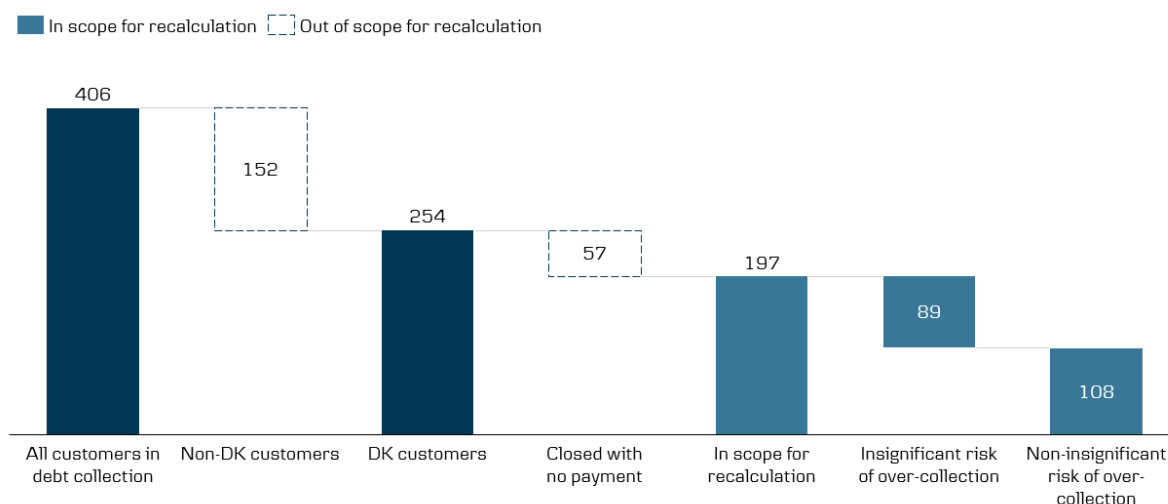
In December 2019, 406,000 customers were identified as potentially exposed to Root Causes 1-4. After a thorough review,

- 152,000 were safely removed as they belonged to other legal entities outside Denmark where manual processes mitigated the impact
- 254,000 Danish customers were identified as having been potentially affected by wrongful debt collection due to Root Causes 1-4. Furthermore, an analysis shows that most of the 254,000 customers have wrongful registration of their outstanding debt
- 57,000 have been found to be at no risk of over-collection from Root Causes 1-4 as these were closed cases with no debt repaid by the customers

The remaining 197,000 customers are at a risk of potential detriment and are in scope for review and are delineated between

- 89,000 customers subject to an insignificant risk of over-collection
- 108,000 customers subject to a non-insignificant risk of over-collection

Figure 1: Breakdown of December 2019 customer population baseline exposed to Root Causes 1-4 (number of thousand customers)



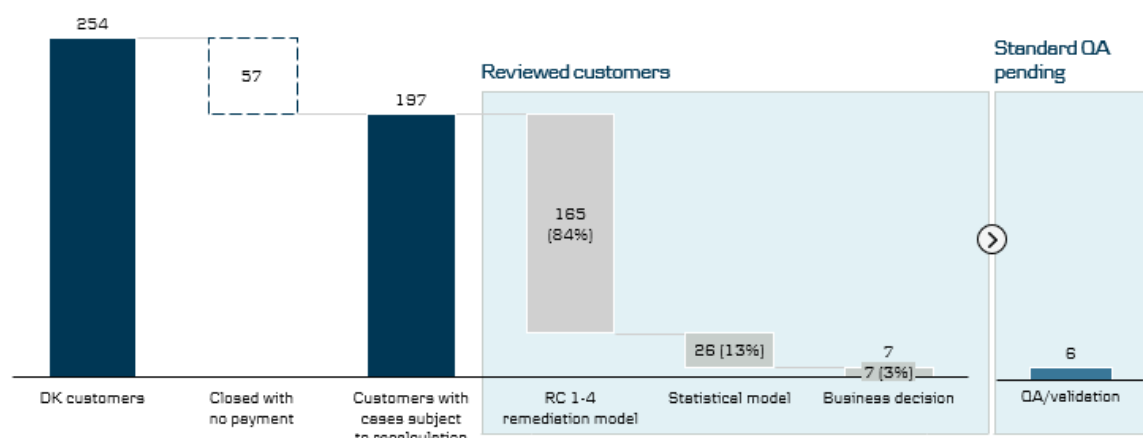
As at 1 July 2021, 97% of the 197,000 customers will have been reviewed for over-collection from Root Causes 1-4, but 3% of the customers will still have to go through quality assurance as per the standard process used across all treatment methods. Validation and any pay-out for these remaining customers are expected to be completed well before year-end.

On the basis of the review performed as of 1 July, we have now confirmed that ~ 6,300 customers have been subject to over-collection. A further ~5,600 customers need to be quality-assured before over-collection can be concluded.

The majority of all customers will receive an update at the beginning of July 2021 with a status of their review for Root Causes 1-4, and the remaining part of the customers will receive the status update in August 2021 (English-speaking customers, business customers, guarantors, bankruptcies and death estates). Danske Bank will inform the customers that they can reach out to the bank if they do not believe that the outcome of the review is fair or if they want to ask for further documentation on the review result.

Figure 2: Overview of number of customers per treatment method applied (number of thousand customers)

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All 197,000 customers were reviewed by either a remediation model for Root Causes 1-4, a statistical model followed by a remediation model or were handled on the basis of business decisions due to missing data points. Approximately 97% of the customers were reviewed using different remediation models tailored to each Root Cause. Out of this figure of 97%, approximately 13 percentage points of the customers had insufficient digital data and the cases were therefore run through a statistical model to augment the remediation models with needed data in the customer's favour. We have chosen to use the statistical model in order to be able to review as many customers as fast as possible.

The remaining 3% of the customers could not be processed by any of the models due to missing data points and were handled on the basis of business decisions in the favour of the customers. Business decisions were made to compensate customers to a debt level that would minimise the risk of over-collection. For these customers, the Bank has chosen to repay the customers an amount that ensures that they will not have not repaid more than 60% of their debt and to add a time compensation for the period they could have had the money at their disposal.

Remediation models Root Causes 1-4 and statistical models

Among the 84% of the customer cases reviewed by remediation models tailored to each Root Cause, 3,700 customers were found entitled to redress with an average amount of DKK 4,500 including time compensation of DKK 2,000 and the total compensation amount for the four Root Causes is DKK 17 million inclusive time compensation of DKK 7,5 million.

Among the 13% of customers treated by the statistical model, followed by remediation model, 2,200 customers were found entitled to redress with an average redress of DKK 7,600 including time compensation of DKK 3,300 and a total compensation of DKK 17 million including time compensation of DKK 7,5 million.

Business decisions:

As to the 3% of customers who were handled on the basis of business decisions, 400 customers, who paid over 60% of their debt are entitled to compensation with a total compensation of DKK 2 million, including time compensation of DKK 1 million, with an average compensation of DKK 6,300, of which DKK 2,500 is time compensation.

Table 1: Result from the review of the 254,000 customers for Root Causes 1-4

Summary by treatment method	No payment (not recalculated)	Remediation model Root Causes 1-4	Statistical model followed by remediation model	Business decision	Results for quality assurance*
Share of 197,000 recalculated	-	84% + 13% from statistical model	13%	3%	-
Number of customers reviewed	57,000	165,000	26,000	6,200	-

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Summary by treatment method	No payment (not recalculated)	Remediation model Root Causes 1-4	Statistical model followed by remediation model	Business decision	Results for quality assurance*
Number of customers potentially entitled to redress	0	5.400	4.200	2.300*	-
Of which number of customers still to QA	0	1,700	2,000	1.900*	5,600
Of which number of customers with special cases** and missing payment information	0	800	500	250	-
Number of customers paid out already	0	2,900	1,700	150	N/A
Total amount paid out	0	DKK 13 million (including time compensation)	DKK 13 million (including time compensation)	DKK 1 million (including time compensation)	N/A

* Double counting occurs in this column for customers treated using multiple models

** Special cases relates to customers with closed court cases involving bankruptcies, debt reliefs and estates

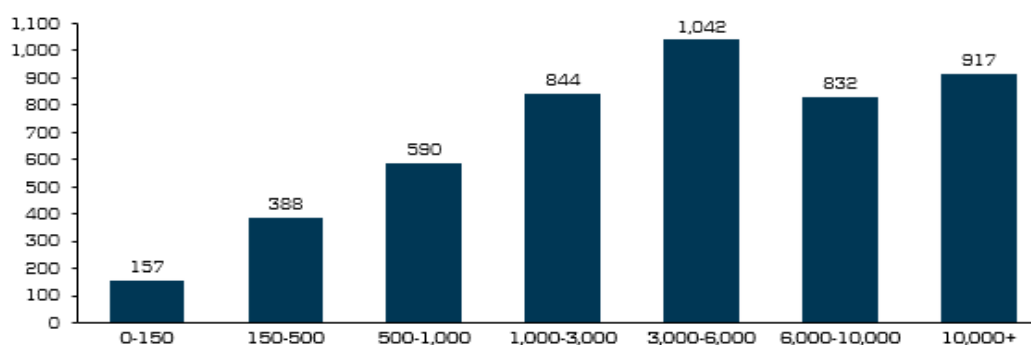
In addition to the quality assurance needed for a group of customers after 1 July 2021, we also have two groups of customers, for whom special treatment after 1 July 2021 will take place:

- 1,400 special cases with total compensation of DKK 8 million including time compensation of DKK 3.3 million (i.e. customers with closed court cases involving bankruptcies, debt reliefs and estates) for which pay-outs are dependent on the outcome of an ongoing dialogue with the Danish Court Administration (ultimately the Danish Probate Courts) and will follow a own timeline and process.
- Customers from whom Danske Bank has been unable to obtain payment information despite applying the full extent of means available to get in contact with them. There are 150 unreachable customers entitled to redress. The work on obtaining payment information on these customers is expected to continue after 1 July 2021.

Compensation distribution for the four Root Causes:

917 customers have received compensation of more than DKK 10,000 DKK, with DKK 52,498 and DKK 94,298 being the two largest payments done, including time compensation.

Figure 3: Number of customers distributed by compensation per 1 July 2021



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c) Danish FSA Orders 3 & 4: 27 potential Additional Issues identified, and analysis completed for 19 of such issues

According to Order 3, measures are being applied in order to ensure that the risk of any incorrect collections stops or is limited. As the analysis of Additional Issues shows with a sufficient degree of certainty that the customer belongs to a group that may be affected by the relevant Additional Issue, notification will be initiated in accordance with Order 4.

An analysis of the 14 potential Additional Issues reported to the Danish FSA on 10 September 2020 is scheduled to be completed by 1 July 2021. Three of the 14 issues have been confirmed not to be an issue, while 11 are confirmed issues. All relate to Denmark besides the issue related to Reminder Fees, where the analysis shows that there is an issue in Danske Bank in Norway and Nordania in Norway as well.

Since 10 September 2020, 13 potential new Additional Issues have been identified, taking the total number of Additional Issues to 27.

The measures taken to meet Orders 3 and 4 to stop or limit the risk of over-collection as well as notification of potentially affected customers will be applied to all further identified Additional Issues. As at end-June, we have completed the analysis of five of the recently identified 13 potential Additional Issues, where one has been confirmed not to be an issue.

Customers will be informed in the status letter for Root Causes 1-4 - which they will receive at the beginning of July with a few letters in August (English-speaking customers, business customers, guarantors, bankruptcies and death estates) - that they might be affected by Additional Issues and that this might mean that they are entitled for further compensation or adjustment of their debt. Not later than the end of September, customers will receive a follow-up letter that provides information about the confirmed Additional Issues that will affect them.

The analysis of 19 of the 27 potential Additional Issues has been completed and shows that the number of customers impacted by an additional issue differs widely and further that a number of customers are impacted by more than one issue. In total 13 of the 19 analysed issues will result in customer remediation.

As previously communicated, a high number of customers have been affected by the issues involving wrongfully collected interest on reminder fees for Danske Bank and Nordania. Our analysis has progressed further, and an estimated 370,000 customers in Denmark and 190,000 customers in Norway are entitled to compensation. The average compensation amount is still expected to be relatively small in Denmark, whereas it is expected to be somewhat larger in Norway, as the legal obligation in Norway is to compensate the customers for all costs related to the issue, including both the reminder fees and the interest amount charged.

In addition to the issue on wrongfully collected interest on reminder fees, the estimated number of customers affected by one or more of the other analysed Additional Issues is in the range of 15,000-20,000. It is important to stress that this is a preliminary assessment and not the full estimate, as the analysis on the remaining eight identified issues are still in progress. An estimated 5,000 customers entitled to compensation for Root Causes 1-4 are also entitled in relation to one or more of the Additional Issues, increasing the total number of customers to be compensated by either Root Causes 1-4 or Additional Issues to 20,000-30,000. Hence, our current analysis indicates that the total number of debt collection customers eligible for compensation now is expected to increase by a further 10,000-15,000.

Two issues are significantly driving this increase. The first is an issue in relation to the triviality limit, where the positive balance amount of DKK 0-50 during the period 2004-2020 was not paid to customers before the case was closed. The second is an issue in relation to the identification of inconsistent data flows between Danske Bank and the Debt Collection Agencies (DCAs).

Please refer to Appendix 2 for a complete overview of the status of each of the 27 Additional Issues.

d) Strengthening future debt collection: Core collection processes being improved

As previously stated, we continue our progress on further actions to ensure that sustainable solutions are implemented. Among others, we are working towards strengthening the case handling in Debt Management. Danske Bank has prioritised standardising the late debt collection processes, staff

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training, assessing the associated risks and planning the implementation of the necessary control measures. Going forward, all employees will have single repositories for processes and guidelines where they can find up-to-date material for case handling. By July 2021, all late collection processes will be mapped and the majority of identified guidelines written.

e) System corrections: 7 out of 11 system improvements implemented

A total of 11 system corrections are needed to eradicate Root Causes 1-4, and seven of them will have been implemented by July 2021. These corrections will enable correct calculations of fees, interest and principal amounts.

f) Restarting debt collection: restart postponed until determination of remaining debt

No restart of debt collection will occur until the remaining customer debt can be determined and the data cleansing has been completed. Adequate system functionality needs to be developed and the outcome of both Root Causes 1-4 and the potential Additional Issues must be fully known prior to reconciliation and updating of debt data.

3. Focus areas after 1 July 2021

After 1 July 2021, the Bank will focus on the following:

- a) **Validate the review of Root Causes 1-4 for customers needed to go through quality assurance**
- b) **Finalise Additional Issues**
- c) **Determine remaining customer debt**
- d) **Restart cases**
- e) **Review and provide compensation in respect of closed cases**
- f) **Complete remaining system corrections**
- g) **Strengthen future debt collection process**
- h) **Implement new end-to-end debt management workflow system**

a) Validate review of Root Causes 1-4 for customers needed to go through quality assurance

We will finalise the quality assurance process for the remaining 3% of the customers well before year-end. Manual validation has already started, but it is time-consuming and requires time to complete. Customers will be compensated accordingly following the validation.

b) Finalise Additional Issues

The vast majority of the 27 potential Additional Issues are expected to have a need for customer remediation, process changes and/or IT corrections. The need for customer compensation from Additional Issues impacts the timeline for when the Bank will be able to determine correct debt balances for customers and when we will be able to cleanse system data and restart debt collection for paused customers. This work is most likely to extend into 2022. In its efforts to execute customer remediation, the Bank will to the extent possible seek to combine the remediation for customers affected by more than one issues.

It cannot be ruled out that new potential Additional Issues will emerge as the analysis of the remaining eight potential Additional Issues progresses and if so the Bank will investigate the issues thoroughly.

c) Determine remaining customer debt

As mentioned above, it is assessed that almost all of the 254,000 customers are affected by Root Causes 1-4 and hence have wrongful registration of their outstanding debt. The remaining customer debt will be determined after the previously communicated expected completion date of 1 July 2021, as it requires

- 1) adequate system functionality to be developed to allow reconciliation and updating of debt data, and

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- 2) all potential Additional Issues to be analysed and potentially affected customers to be compensated

Finalising the analysis of the Additional Issues and affected customers will show what requirements the Additional Issues will trigger in respect of system functionality and govern the timeline for determining remaining debt. This work is expected to extend into 2022 as regards the Additional Issues and the determination of remaining customer debt.

d) Restart cases

We will restart the debt collection process once we have determined that the customers are cleared from (i) any risk of over-collection from either Root Causes 1-4 or any of the Additional Issues, and (ii) the remaining debt balances have been determined and reflected in the system.

e) Review and provide compensation in respect of closed cases

The potential Additional Issues might also have impacted closed cases. As part of assessing the potential Additional Issues, we will review closed cases, and customers will be compensated if any over-collection is identified. The closed cases consist of 57,000 cases without payments, and 97,000 cases where payments have been made.

f) Complete remaining system corrections

The last four system corrections related to Root Causes 1-4 are at risk for extending further than the September 2021 timeline as communicated to the Danish FSA. Despite the efforts undertaken so far, more work is needed to analyse the potential Additional Issues. In addition, adequate system functionality to cleanse system data has turned out to be more complex than originally expected.

The analysis of the Additional Issues might reveal a need for new system corrections to be implemented.

g) Strengthen future debt collection process

In an effort to strengthen the future debt collection process, the Bank is developing a new customer treatment framework to ensure customer-centric, consistent and equal treatment of customers by deciding the best recovery plan for the individual customer and the Bank.

Standard Operating Procedures for late collection processes will be completed, including any updates that might be required as a result of the potential Additional Issues. Debt Management staff will be trained to maintain the Standard Operating Procedures going forward. Evaluation of controls and development based on risk assessment performed will be finalised to ensure a strong controls environment at Debt Management going forward.

h) Implement new end-to-end debt management workflow system

A new end-to-end workflow system (Power Curve Collections, PCC from Experian) will be implemented on top of the existing debt collection systems to improve customer-facing communications and case handling workflows. The first products in the early collection process in Norway were successfully implemented in May 2021, with the remaining products to follow in June 2021. Development of the early collection process for Denmark has been initiated with the first releases expected in Q4 2021. On-boarding of late collection processes to the PCC platform will be initiated in continuation of the current efforts to fix root causes and Additional Issues in the existing debt collection systems. The first releases are expected to be implemented in 2022.

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Appendix 1: Follow-up on timeline communicated to the Danish FSA

Subject	Description	Measures	Communicated expected timeline	Status of measures taken and timeline
Compensation for customers impacted by the four Root Causes	Review and compensate all customers potentially affected by Root Causes 1-4.	Review of all 197,000 customers at risk (108,000 subject to a non-insignificant risk and 89,000 subject to an insignificant risk of over-collection) to determine whether over-collection has occurred and if so to compensate.	1 July 2021	Review of all 197,000 customers will be completed by 1 July and customers entitled to redress will be compensated except for these three groups: <ul style="list-style-type: none"> (1) Review results that need to go through quality assurance as per the process used throughout the review of all the cases. (2) Special cases (i.e. customers with closed court cases involving bankruptcies, debt reliefs and estates) for which pay-outs are dependent on the outcome of an ongoing dialogue with the Danish Court Administration (ultimately Danish Probate Courts) and will follow a own timeline and process. (3) Customers whom Danske Bank has been unable to reach. The Bank will try to contact customers with incorrect data one more time.
Order 1	“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.”	Debt collection paused for all active customers who repaid 60% of the debt registered at the time of entering late debt collection. Interest rate set to 0% for active customers to mitigate any potential further over-collection. Paused customers have been given the option to continue payment with their interest rates set to 0%.	Immediately (September 2020)	Measures applied to stop further detriment for Root Causes 1-4.
Order 2	“To notify all customers who may have been affected by wrongful debt collection by means of individual communication.”	Individual notification sent to all potentially affected customers notifying them of potential risk.	Immediately (September 2020)	Measures applied in order to stop further detriment for Root Causes 1-4. The Bank has difficulty identifying a group of 28,000 customers due to missing contact information. The Bank is in the process of

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Subject	Description	Measures	Communicated expected timeline	Status of measures taken and timeline
				trying once more to get in contact with 10,000 of these customers.
Analysis	Finalise the analysis of the 14 potential Additional Issues reported on 10 September 2020.	Analysis started for all Additional Issues.	1 July 2021	The analysis of all Issues reported on 10 September 2020 is completed.
Order 3	“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.”	Relates to the confirmed Additional Issues. All Additional Issues with confirmed detriment have had the detrimental treatment stopped.	1 July for the 14 potential Additional Issues communicated in September 2020	Measures applied for confirmed Issues.
Order 4	“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.”	Relates to the confirmed Additional Issues. All Additional Issues with confirmed detriment have been notified to the potentially affected customers.	1 July for the 14 potential Additional Issues communicated in September 2020	Measures being applied for confirmed Issues so far. Of the 14 identified potential Additional Issues reported to Danish FSA on 10 September 2020, the analysis has resulted in three issues being confirmed as not being an issue. For the remaining 11 confirmed Issues, measures to notify customers will be finalised before the end of September 2021.
Cleanse system data	Correct customer data in the system to reflect correct remaining debt.	Adequate system functionality to correct remaining customer debt is being analysed and development will subsequently be initiated.	September 2021	Measures are being identified. In the light of complexity in finding adequate system functionality and dependency on resolution of Additional Issues analysis, more time will be needed to complete this work. We will return to the Danish FSA with a timetable when we know the full magnitude after having analysed all Additional Issues.
System corrections	Eradicate Root Causes 1-4 from affected systems.	Need for 11 system corrections were identified that led to Root Causes 1-4.	September 2021	Measures are being applied. Seven errors will be fixed by 1 July 2021. Despite the work performed so far, some months of Q4 2021 would be needed to perform the last four system corrections.

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Subject	Description	Measures	Communicated expected timeline	Status of measures taken and timeline
Order 5 Impartial Reviewer	<p>“The Danish Financial Supervisory Authority (the Danish FSA) orders Danske Bank A/S (Danske Bank or the bank) to arrange for and bear the costs of an impartial investigation of the measures taken and to be taken by the bank to correct the errors in the bank’s debt collection process and of the bank’s IT systems for debt collection (see section 347b of the Danish Financial Business Act).”</p>	<p>Selection of Impartial Reviewer.</p> <p>Ongoing dialogue and meetings with the Impartial Reviewer and submission of requested documents.</p>	Not applicable	<p>Measures ongoing.</p> <p>Impartial Reviewer selected.</p> <p>Final report from the Reviewer expected in October 2021.</p>

Debt Collections Case
Appendix 2: Update on Additional Issues

June 2021

Update on the 14 potential Additional Issues – Appendix 2.5 reported in September 2020

Additional issues - Appendix 2.5										
Information					Status / Progress reporting					
#	Issue name	Problem definition	ORIS number	ORIS level	Issue - source	Order 3 - Stop the tap	Order 4 - Customer notification	Compensation	Mitigation work ¹	Comments & Current understanding of Analysis
1	Court cases	<ul style="list-style-type: none"> Data flaws in DCS and PF and process errors may have impacted a number of closed and ongoing court cases involving our customers and third parties involved 	No ORIS	N.A.	DCS & PF	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Confirmed 	No need for process change or IT change confirmed	<ul style="list-style-type: none"> Analysis completed – Issue confirmed The issue primarily affects the other creditors who are not necessarily Danske Bank customers. The Bank is in correspondence with the Court Administration to determine how to reach to the third-parties involved
2	Personal & Business Customers	<ul style="list-style-type: none"> During the analysis of the debt collection issue, we identified and communicated the wrongful charging of interest on reminder fees following a legislative change in 2005. 	143906	High	FEBOS & DCS	<ul style="list-style-type: none"> In progress. To complete by 1 July 	<ul style="list-style-type: none"> In-progress, expected completion by 1 July, however risk of needing more time 	<ul style="list-style-type: none"> In progress 	Need for IT change	<ul style="list-style-type: none"> Analysis completed – Issue confirmed Need for compensation – Confirmed
			141338							
2	Reminder fees	<ul style="list-style-type: none"> During the analysis of the debt collection issue, we identified and communicated the wrongful charging of interest on reminder fees following a legislative change in 2005. 	141338	High		<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> In-progress, expected to be send out in July 	<ul style="list-style-type: none"> Confirmed 	Need for IT change, process change clarification pending	<ul style="list-style-type: none"> Analysis completed – Issue confirmed Need for compensation – Confirmed In Norway, stopping unjustified interest on historic, not yet paid, reminder fees is still in progress, however less than 70 customers are affected
			146844							
3	Offset across DB & RD	<ul style="list-style-type: none"> The issue relates to potential unjustified off-set between Group entities and incorrect application of limitations during the manual correction process 	144703	High	DCS & PF	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> In-progress, expected completion by 1 July 	<ul style="list-style-type: none"> Confirmed 	Need for process change confirmed	<ul style="list-style-type: none"> Analysis completed – Issue confirmed
			144775							
4	RKI: Risk Markers Practice	<ul style="list-style-type: none"> The issues relates to customers being registered in RKI (1) with an incorrect balance, (2) after limitation period, (3) for too long, (4) with incorrect customer data, and/or (5) multiple times with the same account Improper maintenance of manually applied risk markers modified into focus on customers with D4 credit classification affected by the four root causes. 	148343	High	DCS & PF	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> To be sent out before end September 	<ul style="list-style-type: none"> Confirmed (indirect loss claims) 	Need for process and IT change confirmed	<ul style="list-style-type: none"> Analysis completed – Issue confirmed In respect of meeting Order 3, 47 closed customers have been moved from RKI registration

¹ Mitigation work: actions required to ensure the issue is permanently fixed and the changes are embedded in the BAU processes and IT systems

Update on the 14 potential Additional Issues – Appendix 2.5 reported in September 2020

Additional issues - Appendix 2.5										
Information					Status / Progress reporting					
#	Issue name	Problem definition	ORIS number	ORIS level	Issue - source	Order 3 - Stop the tap	Order 4 - Customer notification	Compensation	Mitigation work ¹	Comments & Current understanding of Analysis
5	Treatment of vulnerable customers	<ul style="list-style-type: none"> The debt collection approach towards vulnerable customers is currently under investigation to identify if sufficient considerations for situation of vulnerable customers are made in the debt collection process. 	No ORIS	N.A.	N/A	<ul style="list-style-type: none"> We have confirmed there is not an issue 				<ul style="list-style-type: none"> Analysis completed – We have confirmed there is not an issue No need for customer compensation - Confirmed
6	Interest rates applied on defaulted loans	<ul style="list-style-type: none"> The issue arises in a situation where a customer defaults on their loans and an incorrect interest rate is applied during the default period. Three sub-issues are investigated: a) Interest rates significantly lower than standard rates for defaulted loans; b1) Different interest rates applied to the same loan across systems and b2) Customers with interest rates above the statutory rate 	No ORIS	N.A.	DCS & PF	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> To be sent out before end September 	<ul style="list-style-type: none"> Confirmed 	<ul style="list-style-type: none"> Need for process change confirmed Need for IT change proposed 	<ul style="list-style-type: none"> Analysis completed - issue confirmed Need for compensation – Confirmed
7	Evaluation of Tableau data	<ul style="list-style-type: none"> The issue relates to if wrongful tableau data led to any customer detriment through decision making in GRDM. 	138567	Low	N/A	<ul style="list-style-type: none"> We have confirmed there is not an issue 				<ul style="list-style-type: none"> Analysis completed - We have confirmed there is not an issue No need for customer compensation - Confirmed
8	Legal fees allocated towards court cases	<ul style="list-style-type: none"> Preliminary investigations indicated erroneous legal fee allocation in specific examples prior to DCS. Legal practice is to allocate court awarded fees and not actual fees incurred. The portfolio before 2008 represents an issue 	No ORIS	N.A.	DCS	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> To be sent out before end September 	<ul style="list-style-type: none"> Confirmed 	<ul style="list-style-type: none"> Issue stopped in 2008, no mitigation work needed 	<ul style="list-style-type: none"> Analysis completed – Issue confirmed Need for compensation – Confirmed
9	Legal fees incorrectly merged with principal	<ul style="list-style-type: none"> The issue relates to legal fees (in private and business cases) being wrongfully included in the principal amount 	No ORIS	N.A.	DCS & PF	<ul style="list-style-type: none"> We have confirmed there is not an issue 				<ul style="list-style-type: none"> Analysis completed for <i>private cases</i> – We have confirmed there is not an issue Analysis completed for <i>business cases</i> – We have confirmed there is not an issue No need for customer compensation for business cases – Confirmed
10	Home issue – agency fees	<ul style="list-style-type: none"> There has been a practice of negotiating property sale fees with all real estate agents in Denmark except for the Danske Bank Group's own real estate agency chain 'home' Customers agreed to these fees in connection with the repayment of their debt 	144671	High	Instruction	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> In progress 	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> Analysis completed – issue confirmed Need for compensation – Confirmed
11	Inaccurate tax reporting	<ul style="list-style-type: none"> The issue relates to reporting of incorrect interest to the tax authorities leading to an incorrect tax relief on interest for some customers 	Part of 140481	High	N/A	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Completed² 	<ul style="list-style-type: none"> Pending further analysis 	<ul style="list-style-type: none"> Pending further analysis 	<ul style="list-style-type: none"> Analysis completed – Issue confirmed Discussion is ongoing with the DTA regarding tax implications for the customers and whether the bank have a re-reporting duty with regards to tax The bank is assessing the tax implications for all the additional issues systematically

¹ Mitigation work: actions required to ensure the issue is permanently fixed and the changes are embedded in the BAU processes and IT systems

² Letters sent in Jan 2021 for 2020 end of year tax statement. Next round of communication potentially needed for 2021 tax (in Jan 2022) if remediation is not completed by Jan 2022

Update on the 14 potential Additional Issues – Appendix 2.5 reported in September 2020

Appendix 2.5										
Information					Status / Progress reporting					
#	Issue name	Problem definition	ORIS number	ORIS level	Issue - source	Order 3 - Stop the tap	Order 4 - Customer notification	Compensation	Mitigation work ¹	Comments & Current understanding of Analysis
12	GDPR	<ul style="list-style-type: none"> The issue relates to not having complied with certain elements of GDPR as a result of having flawed/inaccurate data in DCS and PF 	145223	Medium	DCS & PF	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> In-progress, expected to send out by 1 July 	<ul style="list-style-type: none"> Not relevant 	<ul style="list-style-type: none"> No mitigating action identified beyond the existing activities in Athens 	<ul style="list-style-type: none"> Analysis completed – Issue confirmed No need customer compensation – Confirmed
13	Outsourcing to Debt Collection Agencies	<ul style="list-style-type: none"> 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. DCA customers may be affected by potential errors in data flow between DB and DCAs. 	142136 146653	Medium	DCS & PF	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> To be sent out before end September 	<ul style="list-style-type: none"> Pending further analysis 	<ul style="list-style-type: none"> Need for process change and IT change expected 	<ul style="list-style-type: none"> Analysis completed – issue confirmed
14	Nordia Reminder Fees	<ul style="list-style-type: none"> Charged more than 3 times reminder fee (DK). This applies to both private and corporate customers. Issue occurred 2001 for private and 2002 for corporate. Unjustified interest on Reminder Fees has been charged to customers in the Nordania's central customer system, Leasing Core during 'soft collection' and subsequently at the third party that handles the hard collection. This applies to both private and corporate customers. Issue occurred 2005. 	143578 143625	TBD	Leasing core system	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> Confirmed 	<ul style="list-style-type: none"> IT change needed 	<ul style="list-style-type: none"> Analysis completed Need for compensation – Confirmed For notification, special cases are still pending
		<ul style="list-style-type: none"> During the analysis of the debt collection issue, we identified and communicated the wrongful charging of interest on reminder fees following a legislative change in 2005. 				<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> In-progress, expected to send out in July 	<ul style="list-style-type: none"> Confirmed 	<ul style="list-style-type: none"> IT change needed 	<ul style="list-style-type: none"> Analysis completed Need for compensation – Confirmed For notification, special cases are still pending

1 Mitigation work: actions required to ensure the issue is permanently fixed and the changes are embedded in the BAU processes and IT systems

Update on potential Additional Issues identified since September 2020

Issued identified since September 2020

Information				Status / Progress reporting						
#	Issue name	Problem definition	ORIS number	ORIS level	Issue - source	Order 3 - Stop the tap	Order 4 - Customer notification	Compensation	Mitigation work ¹	Comments & Current understanding of Analysis
15	Erroneous reporting to Central Bookkeeping	The issue relates to the financial impact on Group Danske Banks annual report	No ORIS	N.A.	DCS/PF/KRS	• We have confirmed there is not an issue				• Analysis completed - We have confirmed there is not an issue
16	Mortgage Deed - System 3948	The issue relates to the mortgage deed system (Pantebrevssystemet/3948 pantebreve) and not handling limitation of debt - and are therefore not limiting/deleting/writing off fees, interests and default interests after 3 years. If debt/principal amount/the individual mortgage payment becomes 10 years old - that is not limited either. When the debt transfers to DCS, the time-barred interest and fees are merged with principal	140481	Medium	Mortgage deed - System "3948"	• In progress	• In progress	• Confirmed	• Need for process change and IT change confirmed	• Analysis completed - Issue confirmed • Need for compensation - Confirmed
17	Wrongful interest calculation basis and limitation date	The issue relates potential erroneous calculation of interest rates around while changing interest types and potential errors while calculating the limitation date	146551 & 147512	Medium	DCS	• In progress	• In progress	• Confirmed	• Need for process change and IT change confirmed	• Analysis completed - Issue confirmed • Need for compensation - Confirmed • Reported to the DFSA in February 2021
18	Lacking follow up on customers loans	The issue relates to lack of follow up on cases where agreed payments no longer covers the accrued interest	147849	Medium	DCS & PF	• Pending analysis	• Pending analysis	• Confirmed	• Need for process change	• Analysis completed - Issue confirmed • Need for compensation - Confirmed • Reported to the DFSA in February 2021
19	Triviality Limit	The issue relates to business procedures for handling payments that cover the last outstanding of debt	145639	Low	DCS & PF	• Pending analysis	• Pending analysis	• Confirmed	• Need for process change and IT change confirmed	• Analysis completed - Issue confirmed • Need for compensation - Confirmed
20	Misalignment between agreement document and DCS	The issue relates to misalignments between the agreement document and DCS for interest calculation basis and annual costs in percentage (ÅOP)	147510 and 138637	High	DCS	• Pending analysis	• Pending analysis	• Pending further analysis	• Pending further analysis	• Analysis is in-progress
21	Additional customers in DCS	The issue relates to incorrect deletion of customers in DCS	145264	Low	DCS	• Completed	• In progress	• Pending further analysis	• Pending further analysis	• Analysis is in-progress • Reported to the DFSA in November 2020
22	Discrepancy on main account and agreement account - closed cases	The issue relates to discrepancy between main and agreement account	148376	Low	DCS	• Pending analysis	• Pending analysis	• Pending further analysis	• Pending further analysis	• Analysis is in-progress
23	Taxation code in compositions	The issue relates to wrong taxation code reported to the Danish Tax Authorities when making a composition agreement	148015	Medium	Process	• Pending analysis	• Pending analysis	• Pending further analysis	• Pending further analysis	• Analysis is in-progress

¹ Mitigation work: actions required to ensure the issue is permanently fixed and the changes are embedded in the BAU processes and IT systems

Update on potential Additional Issues identified since April 2021

Issued identified since September 2020

Information					Status / Progress reporting					
#	Issue name	Problem definition	ORIS number	ORIS level	Issue - source	Order 3 - Stop the tap	Order 4 - Customer notification	Compensation	Mitigation work ¹	Comments & Current understanding of Analysis
24	Lack of transparency in consequences of interest type changes	The issue relates to lack of transparency in consequence of interest type changes from statutory rate to compound rate	149845	High	DCS	Pending analysis	• Pending analysis	• Pending further analysis	• Pending further analysis	• Analysis is in-progress
25	Interest charging on other costs associated to business cases	The issue relates to charging interest on other costs associated to business cases	143906	Medium	Pending analysis	Pending analysis	• Pending analysis	• Pending further analysis	• Pending further analysis	• Analysis is in-progress
26	Errors when reestablishing Guarantors	The issue relates to establishing guarantors in DCS and PF when a business customer defaults	149656	Medium	DCS & PF	Pending analysis	• Pending analysis	• Pending further analysis	• Pending further analysis	• Analysis is not started
27	Accrual of compound interest on statutory interest	The issue relates to potentially incorrect accrual of compound interest on statutory interest before 2012	No ORIS	N.A.	DCS	Pending analysis	• Pending analysis	• Pending further analysis	• Pending further analysis	• Analysis is not started

¹ Mitigation work: actions required to ensure the issue is permanently fixed and the changes are embedded in the BAU processes and IT systems