

**Danish Financial Supervisory Authority**

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## Explanatory account submitted to the Danish Financial Supervisory Authority

### Background and purpose

The purpose of this letter is to answer the questions presented in the letter dated 11 August 2021 from the Danish Financial Supervisory Authority (the Danish FSA) in which the Danish FSA requests answers to a number of questions related to the 14,000-16,000 closed estate cases that may be based on flawed data (Additional issue 1a) and to questions related to the total portfolio of potential additional issues.

As previously communicated, we apologise for the problems that this case has caused our customers and other involved parties. As the Danish FSA is well aware, we are fully committed to resolving the outstanding matters and to compensating affected customers as quickly as possible. We will continue to take further initiatives to ensure that improvements are implemented on an ongoing basis and as soon as possible.

The answers given by Danske Bank overall cover two main areas:

1. The 14,000-16,000 closed “court cases” and the answers to the questions asked by the Danish FSA about these estate cases.
2. An update of Appendix 2 to the bank’s memorandum dated 28 June 2021 regarding the 27 potential additional issues and answers to clarifying questions about these issues. In addition, a description is given of the interdependencies that may exist in relation to the 27 potential additional issues in respect of the four root causes and of interdependencies among the 27 potential issues.

The bank’s explanatory account reflects the current status of the analysis work and the work to remediate the errors in the customer cases. The analysis work continues and the figures may therefore be changed in future as and when the bank gains increased insight.

### **1. In relation to closed “court cases” and the answers to the questions asked by the Danish FSA in that context., the following questions are answered:**

- a) *What are the characteristics of the issue in these cases and how may third parties be affected? - How may a third party have a claim against the bank if the debtor does not?*
- b) *Is the problem covered by Danish television channel TV 2 identical to the problems described by the bank in its explanatory account dated 10 September 2020 and 20 October 2020?*
- c) *The Danish FSA requests that Danske Bank confirm that adequate measures have been taken to ensure that the issue can no longer arise.*
- d) *What is the relationship between the number of affected customers and the number of affected closed estate cases?*

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- a) *What are the characteristics of the issue in these cases and how may third parties be affected? - How may a third party have a claim against the bank if the debtor does not?*

#### Characteristics of the issues

The characteristics of the mentioned cases which are subject to Potential additional issue 1a are as follows:

There are four types of cases in which debt was owed to the bank: estates of deceased persons, bankruptcy estates, debt relief cases and reconstruction proceedings (collectively referred to as “estates” or “estate cases”- previously referred to as “court cases”)

- The bank has proved a claim against the estate in question
- The estates were in debt to other creditors
- Dividend has been paid from the estate to creditors, which means that the assets of the estate have been divided between the creditors
- The administration of the respective estate cases has been completed and closed before the probate and bankruptcy courts, which means that it is too late for the bank to correct the potentially incorrect claims proved against the individual estate

#### Impact on third parties

As a result of the flawed data in the bank’s debt collection system, the bank may have proved an incorrect claim against an estate.

In estate cases, the assets of the estate are divided between the creditors on the basis of the often overdue debt owed to the individual creditors. If the bank has proved too large a claim against an estate on the basis of flawed data, the bank will have received a dividend payment that was larger than the one to which the bank was entitled, and other creditors will have received a smaller dividend payment than the one to which they were entitled. If the bank has proved too small a claim against an estate as a result of one of the four root causes and the potential additional issues, the bank will have received a smaller dividend payment. In those cases, the bank will not increase its claim.

The bank is having a dialogue with the Danish Court Administration about how to handle the affected cases correctly and with as little burden as possible to the Danish probate and bankruptcy courts, creditors and other involved parties, including about whether some of the cases need to be retried. Hence it has yet to be decided whether some cases need to be retried or whether re-payment of dividend can and is to take place without the cases being retried. A working group has been appointed and it consists of representatives of the bank, the Danish Court Administration and selected probate and bankruptcy courts, and the group is still working to find a solution.

- b) *Is the issue covered by Danish television broadcaster TV 2 identical to the issues described by the bank in its explanatory accounts dated 10 September 2020 and 20 October 2020?*

TV 2’s media coverage is based on the issue included the bank’s explanatory accounts submitted to the Danish FSA on 10 September 2020 and 20 October 2020 and identified as Potential additional issue 1a under the heading “court cases”. Furthermore, we point out that the term “court cases” has been used for designating the category that, in reality, concerns estate cases (see the above description).

- c) *The Danish FSA requests that Danske Bank confirm that adequate measures have been taken to ensure that the issue can no longer arise.*

#### Measures taken by Danske Bank

The bank is of the opinion that, in respect of the vast majority of cases and on the basis of information currently available, adequate measures have been taken to ensure that the issue can no longer arise. Since 17 December 2019, the bank's measures have involved both withdrawal and correction of cases, and an explanatory account of these measures was submitted to the Danish FSA in the bank's replies of 10 September 2020 and 20 October 2020. Among other things, the measures have been adjusted on an ongoing basis as the bank has learned more about the nature of the issue and as the bank has become aware of the potential additional issues. This means that, in some cases, we have found out that the corrections were thus incomplete. We would like to point out that the bank has not yet completed the analysis of all of the potential additional issues, which means that new insight may give rise to additional or changed measures in future.

The bank thus points out that, in connection with the bank's clean-up activities, it has unfortunately identified cases that, for various reasons, have not followed the necessary procedures or where the established measures have not been effective enough. These deviations are included as part of the dialogue with the Danish Court Administration.

We have identified the following deviations from the established measures and procedures for estate cases:

- Consideration for debtors and third parties  
In some cases, a debtor and/or a third party may be put in an inferior position if the bank's claim is not proved against an estate or is withdrawn. A problem may arise if an administrator, as a result of a lack of information from the bank, includes a misleading and too large a claim on behalf of the bank, and the future process for co-debtors and guarantors becomes complicated if the bank does not prove and calculate its claims against the respective estates. In such cases, the bank has therefore calculated and proved its claims as correctly as possible on the existing basis and stated that the claims proved may be incorrect, for instance, because of some of the other potential additional issues.
- Insufficient process for one type of cases  
For one type of cases, estates of deceased persons, 700 cases were filed and 610 of these cases were closed during the period from 1 February 2020 to 17 August 2021. Unfortunately, the bank's process for this type of cases was inadequate since the bank assumed that it would also later be possible to adjust the claims. Of the 610 cases closed, Danske Bank may have received too high a dividend payment only in 100 of the closed cases that resulted in dividend payment to Danske Bank. The remaining 90 cases are still pending, and the bank will rectify them as soon as possible.
- Delayed instructions for debt collection agencies  
As communicated on 1 December 2020, the bank did not instruct debt collection agencies to withdraw the active cases until 22 April 2020.

All the issues mentioned above are included in the adjustment and correction of closed cases currently undertaken by the bank.

We will inform the Danish FSA if the bank becomes aware of other deviations in estate cases or other types of cases.

*d) Relationship between the number of affected customers and the number of affected closed estate cases*

*Preliminary estimate of affected estate cases (14,000-16,000 estate cases):*

These are cases where the assets of an estate are divided between the creditors of the estate on the basis of the debt owed to the individual creditors. In general, this does not affect the customer, but the various creditors and the dividend payments between them.

The scope of Potential additional issue 1a regarding closed estate cases has yet to be fully analysed. The estimate of the number of cases (approximately 14,000-16,000) is an early and preliminary estimate of the potentially affected number of cases covered by the initial dialogue with the Danish Court Administration, which requested information about the estimated percentage distribution of cases in the various judicial districts in June 2021. The estimate is based on an initial spot check and should be expected to be revised once the work to determine the scope has been completed.

At the request of the Danish Court Administration, the bank has shared the initial estimates by email on 14 June 2021. TV 2 applied for and was subsequently granted access to this information.

*Possible relationship:*

The issue concerning the 14,000-16,000 cases is based on the fact that the bank has potentially filed an incorrect amount of outstanding debt in the estate cases because the individual customer may be affected by either the four root causes and/or the identified potential additional issues. The incorrect amount of outstanding debt will be rectified for the customer through the remediation process for the four root causes or the potential additional issues. Cases involving creditors will be addressed through the remediation process for Potential additional issue 1a.

*Additional involved customers (10,000-15,000 customers):*

The additional involved 10,000-15,000 customers referred to in the bank's memorandum of 28 June 2021 submitted to the Danish FSA are an estimate of the additional number of customers who may be entitled to compensation as a result of the potential additional issues identified and thus do not directly concern the closed estate cases in which mainly creditors are in scope in general.

## 2. Potential additional issues

The Danish FSA requests an update on the status of the bank's analysis of the 27 potential additional issues. The updated status as at 22 August 2021 is set out in Appendix 1, which is an updated version of Appendix 2 to the bank's memorandum of 28 June 2021 to the Danish FSA.

This section answers the Danish FSA's questions about potential additional issues:

- a) *What are the interdependencies among the 27 potential additional issues?*
- b) *How many customers may be affected by the 27 potential additional issues and what is the amount of average expected compensation per customer?*

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- a) *What are the interdependencies among the 27 potential additional issues?*

Danske Bank understands "interdependencies" to mean that one or more issues have had or may have an impact on another issue, no matter whether this affects the order in which compensation is paid or the timing or it means that an issue has caused other issues to arise. The interdependencies add a high degree of complexity, which leads to long processes.

The bank has currently identified a number of interdependencies among the 27 potential additional issues. The final number of interdependencies is still being analysed, and the bank is aware that this affects the final compensation, as stated in the "Order of compensation and reduction of outstanding debt" section of the bank's account of 13 August 2021, which describes interdependencies among the potential additional issues. Until 1 July 2021, Danske Bank's priority was to define, analyse and understand the individual issues in order to obtain an overview of their impact on customers, but the interdependencies among them have yet to be determined. The final number of interdependencies has therefore yet to be identified.

The bank's priority is to examine the final number of interdependencies among the issues as soon as possible, and the bank is aware of the significance of the interdependencies for correct compensation to customers. However, the period to which the issues relate and the number of issues involved lead to a high degree of complexity, which the bank is committed to understanding in full and solving.

- b) *How many customers may be affected by the 27 potential additional issues and what is the amount of average expected compensation per customer?*

The work undertaken by the bank to clarify and resolve the additional issues is still ongoing, and the information below is based on current knowledge and covers only the potential additional issues analysed sufficiently for them to provide a foundation for estimating the number of affected customers. At present, these issues are Potential additional issues 1-20. Furthermore, the bank refers to its explanatory account of 13 August 2021 to the Danish FSA.

Appendix 1 contains a detailed overview of the potential additional issues. If possible, the number of customers who may be entitled to compensation is stated for each issue.

It should be pointed out that, because there is an overlap of potential additional issues, it will not be correct to sum up the figures of the number of customers in Appendix 1 to provide an accurate number of the customers included. It cannot be ruled out at this stage that additional issues may be identified, and the currently identified potential issues may turn out not to be real issues, and this will have an impact on the figures stated.

Potential additional issues 6, 8, 10, 13, 16a, 17, 18 and 19:

The bank understands “affected customers” as customers who may be entitled to compensation as a result of the bank's overcollection or because of an adjustment of their outstanding debt.

The bank's current estimate is still that 10,000-15,000 debt collection customers are entitled to compensation solely as a result of Additional issues 6, 8, 10, 13, 16a, 17, 18 and 19. Furthermore, 4,000-5,000 customers are already affected by one or more of the four root causes.

This means that a total of 15,000-20,000 customers are still entitled to compensation as a result of the additional issues or as a result of both the additional issues and the four root causes.

As previously communicated, the outstanding debt of a customer is registered incorrectly in the majority of debt collection cases because of data errors, and the outstanding debt will be reduced as a result of the four root causes. In this respect, the outstanding debt of potentially 60,000-65,000 customers will also have to be reduced because of the additional issues. This is relevant for the cases in which the bank, as a result of flawed data in the systems, has overcollected regular instalments/interest, but in which the individual customer has not yet repaid more than the adjusted (correct) outstanding debt. For most of these customers, the bank must adjust their outstanding debt in addition to the correction made as a result of the four root causes previously communicated to the Danish FSA.

We would like point out that some customers are affected by two or more of the additional issues listed and that some are also affected by one or more of the four root causes.

Against this background, the bank is presently unable to estimate the amount of average compensation per customer.

As the bank has previously told the Danish FSA, the bank has suspended repayment in all active customer cases in which a customer has repaid 60% or more of the amount of debt outstanding at the time when the case was submitted for debt collection, and customers in all active customer cases are now subject to a rate of interest of 0%.

#### Potential additional issues 2 and 14:

As previously communicated, the bank has also identified a number of customers in both Denmark and Norway who are not debt collection customers and therefore have not been processed in the bank's debt collection systems (DCS and PF), but who may have a claim for compensation because the bank has charged interest on reminder fees. This is described as Potential additional issue 2. These are 191,000 customers in Norway (an estimated 184,000 are to receive compensation) and 359,000 customers in Denmark (an estimated 296,000 are to receive compensation). The average amount of compensation for this potential additional issue is expected to remain low in Denmark, while it is expected to be higher in Norway, where there is legal obligation to provide compensation to customers for all the costs associated with the individual issue, including providing compensation for charged and paid reminder fees and interest amounts to which the bank was entitled. Additional issue 14 also concerns reminder fees.

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The bank would like to point out to the Danish FSA that, on 28 August 2021, the bank identified one potential additional issue concerning a specific type of interest for which the limitation period does not appear to work properly when it is registered in the DCS system. The bank will start analysing the issue to determine its scope.

The bank will regularly keep the Danish FSA up to date on the results of its work.

Naturally, we are ready to assist the Danish FSA if it has any further questions or queries.

Yours faithfully

Danske Bank A/S

**Frans Woelders**  
Group COO

**Rob De Ridder**  
COO, LC&I



# Appendix 1: Potential Additional Issues - Description and status

## Definitions

The description and status of each potential additional issue report on the progress in Danske Bank's efforts to analyse and correct the identified potential additional issues as well as the estimated customer impact. The headlines in the tables in the appendix are explained below.

### Analysis done?

As reported to the Danish FSA on 15 august 2021 "Analysis done" indicates whether the analysis of a potential additional issue has been completed or not. In the method defined by Danske Bank to analyse and correct the identified issues, "Fully analysed" means that we have clarified (1) whether there is an issue or not, (2) whether customers are affected and therefore should receive compensation, and (3) which customers are either affected or potentially affected so that they can be informed and subsequently receive compensation when relevant. When an issue has been fully analysed, it is handed over to the team responsible for providing compensation to customers so that the compensation process can be initiated. Thereby in spite of the analysis being done, in many cases the number of affected customers is unknown until remediation is concluded throughout the Programme.

### Letters sent?

Provides a status of whether information letters have been sent to customers affected or potentially affected by the potential additional issue. The information letter informs the customer about them potentially being affected by the potential additional issue. The information letter is not the compensation conclusion letter that is generated later in the process when the compensation team has concluded on its work.

### Stop the tap?

Indicates whether measures to stop the issue from occurring again have been put in place. Also includes details about how long the issue has existed.

### External dependency?

Indicates whether the measures taken by Danske Bank to correct the issue will involve external parties and, if so, what external parties.

### Customers requiring compensation

Estimates the number of customers who Danske Bank will need to compensate because of the potential additional issue.

### Level of confidence

Indicates Danske Bank's current level of confidence in the estimated number of customers in need of compensation for the issue. "Initial analysis" means that the estimate is the result of a programmatic analysis of the full portfolio of potentially affected customers. "Guiding estimate" indicates that the estimate is based on spot checks which have been aggregated. Therefore "Initial analysis" means that the bank is more certain about these numbers than is the case with "Guiding estimate". However, in both cases, the final number could differ from the current estimate.

## Potential additional issues – Description and status

Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
1.a	Court cases	<p>The bank has provided incorrect claims and documentation to the courts due to the flawed data in DCS and PF in relation to the four root causes and additional issues. This has resulted in collection of debt on an unjustified basis by reporting an incorrect outstanding debt, which led to three main complications:</p> <p><b>1.a - Court cases – Other creditors</b> For legal proceedings involving other creditors with a claim against the customer in question, the bank has reported a higher debt than was in fact owed to the bank, resulting in lower dividends to the other creditors involved.</p>	Yes	N/A	Yes. The timeline for when the issue occurred is between 2004-2020	Yes - Court Administration and DTA	Issue affects creditors. - Please see section 1.d)	N/A
1.b	Court cases	<p><b>1.b - Withdrawal of court cases - DB &amp; RD</b> Withdrawal of court cases was initiated in June 2019 in order to stop the tap due to I) The detection of the four root causes and II) The detection of wrongful correction process. This issue focuses on the complexities resulting from withdrawal of cases, including re-correction and resubmission of court cases.</p>	Yes	N/A	Yes. The timeline for when the issue occurred is between 2004-2020	Yes - Court Administration and DTA	N/A	
1.c	Court cases	<p><b>1.c - Court cases – DB &amp; RD ongoing cases</b> Insufficient correction of PF cases was detected, revealing that I) the entire correction of 20 % guarantees cases (additional issue #3) was placed in the PF system resulting in an erroneous offset across DB and RD and II) a 10-year limitation period of contribution and commission was assumed where it should have been three years. This issue focuses on 20% guarantee cases that were re-corrected and resubmitted to court.</p>	Yes	No	Yes. The timeline for when the issue occurred is between 2004-2020	Yes - Court Administration and DTA	N/A	

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
2	Reminder fees - Norway	<p>The bank may have acted in breach of the requirements of debt collection practice (Inkassoloven/Debt Collection Act § 17 (4)) due to the following:</p> <p><b>2.a - Timing of charging of interest</b> Started too early to charge interest on fees, meaning that interest accrues from day one and before the due date of the fee.</p> <p><b>2.b - Unjustified interest</b> For some products, interest was charged at a higher interest rate than the maximum default interest rate set by law.</p> <p><b>2.c - Unjustified compound interest</b> Charged compound interest relating to fees. <i>Under investigation:</i> Reminder fee amounts Legal assessment currently underway relating to whether the bank has charged too large reminder fees.</p> <p>The root cause is due to Danske Bank acquiring Fokus Bank in 2006, where the processes in the systems FEBOS and DCS were not updated in order to be compliant with the requirements of debt collection practice in accordance with Norwegian legislation.</p>	Yes	In progress	Yes. The timeline for when the issue occurred is between 2006-2021	Yes - TAX, DCA	>184,000	Guiding estimate

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
2	Reminder fees - Denmark	As a result of changes in the Danish Interest Rate Act (“renteloven”), actions were required by the bank to change its terms and conditions. This update was not detected at Retail Banking DK, which led to customers being charged unjustified interest on reminder fees (e.g. while in the bank’s central customer systems (FEBOS) and Debt Collection systems (DCS)). Legal concludes that it is not allowed to charge interest on reminder fees according to the Danish Interest Rate Act.	Yes	Yes	Yes. The timeline for when the issue occurred is between 2005-2020	Yes - DTA	>296,000	Initial analysis

### Potential additional issues – Description and status

Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
3	20% guarantee cases	<p>In August 2019, the bank established a correction process to correct detected errors in the PF system. When correcting, the bank identified two complications:</p> <p><b>A)</b> Between August 2019 and October 2020, the bank had incorrectly placed the entire correction of 20% guarantee cases in the PF system when it should have been in the DCS system. This resulted in an erroneous interest calculation, which in some cases has been to the detriment of customers.</p> <p><b>B)</b> In the correction process, a 10-year limitation of contribution and commission on RD loans was assumed but instead the limitation should have been three years. This resulted in an insufficient correction in the period August 2019-October 2020.</p>	Yes	In progress	Yes. The timeline for when the issue occurred is between 2019-2020	Yes - TAX	Pending remediation data analysis	N/A

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
4	Risk markers practice	<p>Issue 4 covers two sub-issues related to risk markers practice:</p> <p><b>4a - internal risk marker</b> Customers are unrightfully classified D4 and/or held for too long in D4 classification</p> <p><b>4b - external risk marker</b> Customers are registered with incorrect data (wrongfully registered, registered with an incorrect balance, date or personal data) and/or held for too long in RKI</p>	Yes	In progress	Yes. The timeline for when the issue occurred is between 2004-2020	Yes - Experian (RKI)	Issue does not impact debt amount, but customer credit rating. Hence, no overcollection due to issue.	N/A

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
5	Treatment of vulnerable customers	<p>Danske Bank handles several debt collection cases involving vulnerable customers. By nature, collection cases can pose an additional stress factor in the difficult situation in which vulnerable customers find themselves. This has resulted in an investigation of whether GRDM has the necessary foundation to ensure appropriate treatment of vulnerable customers now and in the future from a legal and conduct perspective.</p> <p>Even though the analysis conclusion is a non-issue, the bank has initiated a process to ensure continuous focus on customer treatment and care</p>	Yes - non-issue concluded	Non-issue	Non-issue	Non-issue	Non-issue	N/A



## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
6	Applied interest rates for cases in DCS and PF	<p>Issue 6 analysis has led to the identification of three sub-issues/improvement areas related to applied interest rates in PF and DCS:</p> <ul style="list-style-type: none"> <li>• <b>6.A.I:</b> Significantly lower interest rates for cases in PF (some cases negative) than standard rates for defaulted loans</li> <li>• <b>6.B.I:</b> Different interest rates applied on same debt split between DCS and PF due to 20% guarantor agreement, incl. unclear customer communication</li> <li>• <b>6.B.II:</b> Unequal treatment of customers in DCS due to time of entry: customers entering DCS prior to 2010 have been charged significantly higher interest rates than according to the procedure for customers after 2010 (17.45% vs. 8.05%)</li> </ul>	Yes	In progress	Yes. The timeline for when the issue occurred is between pre-2004-2020	Yes - DTA	700-950	Guiding estimate

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
7	Evaluation of Tableau data	<p>We investigated two potential complications in relation to the use of Tableau reports at the bank:</p> <ul style="list-style-type: none"> <li>Data accuracy issues in reporting infrastructure (e.g. duplicated rows)</li> <li>Data accuracy issues due to flawed DCS and PF data (four root causes), which may have led to wrong customer handling. The analysis conclusion is “non-issue”, hence no further action needed.</li> </ul>	Yes - non-issue concluded	Non-issue	Non-issue	Non-issue	Non-issue	N/A

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
8	Legal fees	<p>Prior to the establishment of Legal Section in Debt Management in 2008, it was common practice to use external lawyers when engaging in court proceedings. The cost incurred in this connection is known as actual legal fees and represents the actual cost of the external lawyer services.</p> <p>A customer detriment may occur if the bank charges the actual legal fees to the customer instead of the awarded fees (the fee, the bank is allowed to charge), and the actual legal fees were higher than the awarded.</p>	Yes	In progress	Yes. The timeline for when the issue occurred is between pre-2004 - 2008	Yes - DTA	4,000-8,000	Guiding estimate

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
9	Legal fees merged with principal	<p>As an addition to root cause 1, an investigation of the merging of legal fees with the principal was initiated to ensure correct limitation and interest application when legal fees were handled. Legal fees are a result of court proceedings and represent an extra cost the bank is allowed to allocate to the customer. There is a risk of incorrect limitation and interest application, if the legal fee is merged with the principal.</p> <p>The merger can occur in two ways:</p> <ul style="list-style-type: none"> <li>• Merger of legal fees with principal when the case is transferred from FEBOS to DCS</li> <li>• Merger of legal fees with principal when the legal fee is applied in principal (data field 3)</li> </ul> <p>The bank has investigated the potential merger in:  <b>9.a)</b> Private cases  <b>9.b)</b> Business cases</p> <p>The analysis conclusion is “non-issue”, hence no further action needed.</p>	Yes - Non-issue confirmed	Non-issue	Non-issue	Non-issue	Non-issue	N/A

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
10	Agency fees	<p>During the period from 1 February 2013 to 11 July 2019 a work description document (WDD) stated that DM employees should not negotiate the fee stated by <i>home</i> in non-forced property sales that customers agreed to in order to repay debt and in which a loss was accepted by the customer, while fee proposals from other real estate agents should be negotiated in case fees exceeded a standardised threshold internally determined by DM. The employees of GRDM have followed the instruction/procedure, thus leaving the personal customers selling through <i>home</i> with a potentially higher debt due to the higher agency fee.</p> <p>All business customers are out of scope since the department handling these are systematically negotiating on a case-by-case level and have never been in possession of the instruction.</p>	Yes	Yes	Yes. The timeline for when the issue occurred is between 2013-2019	Yes - Court Administration and DTA	500 - 1,000	Guiding estimate

## Potential additional issues – Description and status

Issue definition		Progress status				Customer impact		
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
11	Tax issues	<p>This issue is a side effect of root causes 1-4 and additional issues (e.g. reminder fees) where incorrect data has occurred.</p> <p>As a result of this, incorrect interest and principal amounts were reported to the Danish tax authorities (DTA) in 2020 and previous years. It is also causing incorrect End of Year reports from both DTA and the Danske Bank Group (DB Group covering Danske Bank and Realkredit Danmark) towards affected customers. The total number of affected customers is unknown until all customers have been remediated in Athens.</p> <p>To address this issue at different levels, the bank has been communicating with and reporting to DTA, this issue has been divided into two sub-issues:</p> <ul style="list-style-type: none"> <li>• <b>11.a:</b> How must the Danske Bank Group report to DTA on changes to customer data as part of debt remediation?</li> <li>• <b>11.b:</b> How must the Danske Bank Group communicate to customers in relation to changes in their tax situation as part of our debt remediation?</li> </ul>	Yes	Yes	Not relevant. The timeline for when the issue occurred is between 2004-2019	Yes - DTA	The total amount of affected customers is unknown until remediation is concluded	N/A

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
12	GDPR	The inaccurate data in DCS and PF identified as part of the four root causes has caused potential issues relating to article 5 (accuracy of personal data) of GDPR legislation. The GDPR aspect of erasure and retention is covered by an upcoming PCC solution.	Yes	In progress	Yes		None as the issue is not related to overcollection	N/A
13	Debt collection agencies	Data discrepancies were discovered in an analysis performed on active DCA portfolios (incl. 600 Intrum cases) in the autumn of 2020, as part of Project Pause. Different discrepancies were identified for each DCA regarding - e.g., principal, limitation dates, payments and case status (active/closed). This instigated a collection pause for DCA customers from October 2020 and an investigation of the portfolios with the remaining DCAs.	Yes	In progress	Yes. The timeline for when the issue occurred is between 2006-2019	Yes	9,000-11,000	Guiding estimate

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
14	Nordania Denmark	<p>Nordania Denmark has unjustifiably overcharged customers reminder fees and interest related to reminder fees, interest related to reminder fees as well as compound interest.</p> <p><b>14.a - Unjustified reminder fees</b> Unjustifiably charged customers more than three reminder fees (DK) within the same period. Both business and personal customers are affected by this issue.</p> <p><b>14.b - Unjustified interest</b> Charged customers unjustified interest related to reminder fees and interest in Nordania's central customer system, Leasing Core, during 'soft collection' and subsequently at the third party that handles the hard collection. Both business and personal customers are affected by this issue.</p>	Yes	Yes - special cases remaining	Yes. The timeline for when the issue occurred is between pre-2001 (personal)/2002 (business)-2020 for issue 14a, 2005-2020 14b		7,500-9,500	Initial analysis
14	Nordania Norway	<p>Nordania Norway has unjustifiably overcharged customers reminder fees and interest related to reminder fees.</p> <p><b>14.a - Unjustified interest</b> Charged customers unjustified interest related to reminder fees in Nordania's central customer system, Leasing Core, during 'soft collection' and subsequently at the third party that handles the hard collection. Both business and personal customers are affected by this issue.</p> <p><b>14.b - Unjustified reminder fee amount</b> Unjustifiably charged too large reminder fees. Both business and personal customers are affected by this issue.</p>	Yes	Yes	Yes. The timeline for when the issue occurred is between pre-2004-2021		400-600	Guiding estimate



## Potential additional issues – Description and status

#	Issue definition		Progress status				Customer impact	
	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
15	Erroneous reporting to the central bookkeeping system	<p>The Athens root causes inflate the debt portfolio to a larger amount than what Danske Bank and Realkredit Danmark are allowed to collect legally. This results in a larger monetary amount reported from GRDM to KRS (Koncernregnskabssystem- Accounting software for the Group), which serves as the foundation for the Group annual report.</p> <p>The analysis conclusion is a non-issue as the issue does not affect the customers. Furthermore, corrections have taken place for reporting purposes in the third quarter interim report for RD. For DB, the potential impact is considered insignificant due to the level of materiality of the annual report, hence no further actions.</p>	Yes – Non-issue confirmed	Non-issue	Non-issue.	Non-issue	Non-issue	N/A

## Potential additional issues – Description and status

Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analys is done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
16	Mortgage Deed System - 3948	<p>The project has identified two issues related to debt handling and collection of mortgages (3948 pantebreve):</p> <p><b>16a:</b> Customers have paid expired principal, interest and associated costs on mortgages. The bank has collected debt it did not have a claim for - system involved: The Mortgage Deed System (MDS)</p> <p><b>16b:</b> Principal, interest and associated costs have been merged with principal (field 3) in DCS when a new loan (Inkasso case) was created for a closed mortgage with 1) remaining debt due to non-forced property sales that customers agreed to in order to repay debt and in which a loss was accepted by the customer and 2) outstanding interest payments on last mortgage instalment. (similar to root cause 1 situation - but outside current product/system scope for root cause 1 for customers who only had a mortgage product). The bank has collected debt it did not have a claim for as: 1) Customers have paid interest on incorrect principal on their new loan in DCS 2) Customers have potentially paid expired interest on their new loan in DCS (as the transferred interest is included in the limitation rule for principal (10 years) and not the correct three years).</p>	Yes	In progres s	Yes, for 16a. 16b pending further analysis. The timeline for when the issue occurred is pre-2004- 2020	Yes - DTA	100 - 200	Guiding estimate

## Potential additional issues – Description and status

Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
17.a	Wrongful interest calculation basis and limitation date	Issue 17 covers two sub-issues: <b>17.A:</b> Erroneous value date alignment in DCS has led to excessive interest calculation basis, consequently resulting in overcollection. The tap has been stopped for 17.A	Yes	In progress	Yes. The timeline for when the issue occurred is between 2004-2020	Yes	50 - 150	Guiding estimate
17.b	Wrongful interest calculation basis and limitation date	<b>17.B:</b> DCS uses the bookkeeping date instead of the debit interest date to calculate the three-year limitation date on interest and fees from FEBOS (balance type 2). The tap has been stopped for 17.B.	Yes	In progress	Yes. The timeline for when the issue occurred is between 2004-2020	Yes	<100	Guiding estimate

### Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
18	Lacking follow-up on customer agreements	When creating and managing temporary agreements, the bank does this manually and follow-up does not take place for all reminders. As a result, the agreement can continue after the renegotiation deadline, and customers can as a result continue repayment without reducing the total debt. In addition, customers may be unaware or unable to comprehend the implications of a temporary payment agreement, while some differences have been observed between advisers in case handling.	Yes	In progress	Yes. The timeline for when the issue occurred is between 2005-2020	Yes	250 - 500	Guiding estimate

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
19	Triviality limits	The triviality limit for correction of amounts up to DKK 50 has not been formally decided or documented. Nonetheless it was the procedure between the implementation of DCS in 2004 and November 2020 when the procedure was stopped and formally raised.	Yes	In progress	Yes. The timeline for when the issue occurred is between 2004-2020	Yes	12,000	Initial analysis
20	Misalignment between agreement document and DCS	Coding errors in the agreement module have led to misalignment between debt calculations in DCS and the total debt stated in the agreement document sent to the customers. Danske Bank has potentially calculated and collected higher amounts of debt than what are stated on the agreement document. Issue 20 consists of two sub-issues: 20.A: Wrong interest calculations in the agreement module leads to misalignment between DCS and the agreement document 20.B: Wrong annual costs in percentage (ÅOP) in agreement document.	Ongoing	No	Yes. The timeline for when the issue occurred has yet to be confirmed.	No	Pending analysis	N/A

## Potential additional issues - Description and status

Potential additional issues - Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
21	Deleted customers in DCS	Until 2016, a standard operating procedure at Debt Management ("Inkasso") was to delete customers in the Debt Collection System (DCS) when their cases were finalised. Consequently, 3,860 deleted customers were not initially part of the defined group of customers for the ongoing investigation related to the four root causes and additional issues at Debt Management at Danske Bank. Furthermore, these customers were not reported to the DFSA in October 2020, but the DFSA was informed about the additional customers by email on 26 November 2020. Deleted customers have been analysed and compensated with regard to root causes 1-4 but not to the additional issues.	Ongoing	Pending analysis	Pending analysis. The timeline for when the issue occurred is between 2004-2016.	Pending analysis	Pending analysis	N/A
22	Discrepancies between main and agreement accounts	When an agreement with a customer is created, a new account is created to reflect agreement terms rather than initial terms from when the customer entered debt collection. Human errors in establishing the agreement account may lead to discrepancies between main and agreement accounts and be to the customer's detriment.	Ongoing	No	Pending analysis. The timeline of the issue has yet to be confirmed	Pending analysis	Pending analysis	N/A

## Potential additional issues - Description and status

Potential additional issues - Description and status								
Issue definition			Progress status			Customer impact		
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
23	Wrong taxation codes for compositions	The main issue investigated is: Has debt remission code 5 been wrongfully applied to customers when a composition agreement is made and if so what is the detriment from the wrong reporting?	Yes	No	Not needed as reporting only takes place EOY and the revised SOP will be implemented prior to the EOY tax reporting. The timeline for when the issue occurred is between 2014-2020	Yes - DTA	None as the issue is not related to overcollection	Initial analysis
24	Lack of transparency in consequences of interest type change	Issue 24 relates to changing interest types on customers' debt. Danske Bank has failed to offer transparent advice or provided information based on wrong facts to customers who have been offered and have accepted nominally lower interest rates on payment agreements without being informed that a change of agreement leads to cumulated interest which is not the case with statutory interest. In some cases, the change of interest type has led to an increase in debt and overcollection.	Ongoing	Pending analysis	Yes. The timeline for when the issue occurred has yet to be confirmed.	Pending analysis	Pending analysis	N/A

## Potential additional issues – Description and status

Potential additional issues – Description and status								
Issue definition			Progress status				Customer impact	
#	Name	Issue definition	Analysis done?	Letters sent?	Stop the tap?	External dependency?	Customers requiring compensation	Level of confidence
25	Interest charging on other costs associated with business cases	Other costs (e.g. fees to auditors, extra judicial collection costs) related to insolvency cases have potentially been merged with principal and as a result of this interest has accrued on other costs. Whether this practice is illegal is unclear. However, preliminary legal discussions confirmed that the practice is uncommon in the market and suggest further investigation of the complexities related to the potential issue.	Ongoing	Pending analysis	Pending analysis. The timeline for when the issue occurred has yet to be confirmed.	Pending analysis	Pending analysis	N/A
26	Errors in re-establishing guarantors in DCS	Historically, guarantors were deleted and only registered as debtors. In recent years, guarantors have been established as both guarantor and debtor. This poses a risk of guarantors being held liable for the full debt instead of just their guarantee. This is leading to misreporting to the tax authorities and potentially mistreating of the customer.	Ongoing	Pending analysis	Pending analysis. The timeline for when the issue occurred has yet to be confirmed.	Pending analysis	Pending analysis	N/A
27	Accrual of compound interest on statutory interest in debt collection cases pre-2012	Before 1 January 2012, the Debt Collection System (DCS) did not have a simple interest type functionality. With effect from 1 January 2012, a solution for not calculating compound interest on statutory interest (“procesrente”) was made. Before that, there was a risk that the bank had unlawfully accrued compound interest on interest types that should have been simple. Issue confirmation is pending legal analysis.	Ongoing	Pending analysis	Pending analysis. The timeline for when the issue occurred has yet to be confirmed.	Pending analysis	Pending analysis	N/A