KPMG Poul Schmith

Impartial investigation of Danske Bank A/S's debt collection

Report no. 2 concerning the Danish FSA's decisions of 26 November 2020 and 3 December 2021

Translation of introduction and background, overall assessment and conclusion sections.
In case of discrepancies, the Danish version prevails.

Contents

1. INTRODUCTION AND BACKGROUND

In 2019, Danske Bank A/S ("the bank") found a number of errors in its debt collection process, including errors that could cause a number of the bank's customers to pay more to the bank than the amount of their total enforceable debt (i.e. overcollection). The errors detected also had a number of additional consequences for the bank's customers, including because the errors could lead to incorrect reports from the bank to the Danish tax authorities about the customers' debt and, for example, registration of customers with RKI on an incorrect basis.

In its decision of 21 September 2020, the Danish Financial Supervisory Authority (the Danish FSA) informed the bank that it was to suspend its debt collection for customers who could be affected by the debt collection errors unless the risk of overcollection in respect of the affected customers was insignificant. In addition, the bank was to inform all customers who could be affected by the errors about potential flaws in their debt collection cases.

By its decision of 26 November 2020, the Danish FSA issued an order to the bank to conduct an impartial investigation. KPMG and Poul Schmith ("we" or "us") were appointed impartial reviewers in this connection, and, since March 2021, we have conducted an impartial investigation of the bank's initiatives to suspend debt collection and of the bank's work to compensate its customers for the errors occurred (see section 1.1 below).

1.1 Developments prior to this report

1.1.1 Our report of 31 October 2021

On 31 October 2021, we issued the first report on i) the bank's work to suspend debt collection in cases where the risk of overcollection was not insignificant, ii) payment of compensation to the bank's customers and to correct other errors in customer cases. The report was prepared in accordance with the order issued by the Danish FSA on 26 November 2020 (see section 1 above).

Our report of 31 October 2021 contained a number of conclusions on the bank's work to remediate its debt collection. Given the status of the bank's work at the time, it was not possible to conclude that the bank had completed the work to remediate its debt collection, including ensuring that all customers entitled to compensation for overcollection had received such compensation, and ensuring that debt collection could be resumed on a correct data basis and on the basis of adequate business processes and the use of well-functioning and non-flawed IT systems.

In our report of 31 October 2021, we concluded that the bank had taken a number of relevant measures to suspend debt collection to the extent that continued debt collection could lead to overcollection of the bank's customers and that the bank had taken a number of measures to provisionally compensate the affected customers for a number of the errors occurred.

However, we also emphasised in our report of 31 October 2021 that the bank had not compensated all of its customers in relation to all the errors detected, that the bank had not yet corrected data in its debt collection systems and that the bank still had not implemented business processes and corrections in the systems to support proper debt collection in future.

Finally, in relation to a number of areas, we concluded that we could not confirm that the bank's measures had fully secured the bank's customers against overcollection or against other negative consequences that could be associated with, for example, the incorrect registration of customer debt in the bank's debt collection systems. In this connection, the bank decided, in the autumn of 2021, to take a number of further measures to ensure that its customers are protected against the risk of additional overcollection etc.

This report describes our investigations of the bank's work to correct the errors that have occurred and to remediate its debt collection in the period after 31 October 2021, when we presented our first report. The report follows up on a number of matters that were described in our report of 31 October 2021, but not yet sufficiently documented by the bank at the time, or which related to forward-looking initiatives that were not yet implemented.

This report should therefore be read in conjunction with our report of 31 October 2021, including the terms and definitions contained in the report, see especially sections 2 and 1.4 below. In this report, we refer to a large extent to our report of 31 October 2021 as the basis for the description contained in the individual sections. Thus, a full understanding of the description and of our conclusions below requires knowledge of the contents of our report of 31 October 2021 and the descriptions and conclusions contained therein.

1.1.2 The Danish FSA's decision of 3 December 2021

As described above in section 1.1.1, our report of 31 October 2021 did not contain a final and complete answer to the questions contained in the Danish FSA's decision of 26 November 2020. The decision and the impartial investigation were therefore based on the assumption that Danske Bank's work to remedy the errors and compensate customers should be completed in the summer of 2021, which, as previously stated, could not be realised.

Firstly, the reason was that the bank had found that the work to correct errors, calculate and pay compensation and to remediate its debt collection was more extensive and complex than originally assumed by the bank.

Secondly, in relation to the situation at the time of the Danish FSA's decision of 26 November 2020, the bank had detected a number of additional errors that had led to errors in the customer's balance and thus a risk of overcollection in respect of individual customers.

Thirdly, the bank had finally concluded that correction of data in the bank's debt collection systems ("write-back", see section 3.3.2) could not be carried out on a secure basis until the additional issues identified had been analysed and clarified, and that a correction of the functionality of the bank's IT systems was more difficult and complex than originally assumed. One reason for this was that secure and adequate correction of the errors detected was largely based on the bank having obtained complete knowledge and an overview of the consequences of the errors already detected.

In relation to the four original root causes of errors, the bank has presently identified 40 additional issues that may have led to errors in its debt collection. Some of the additional issues also contain sub-issues, meaning that the total number of errors detected is actually considerably higher (see section 9 below for more details). As it appears, the bank is currently addressing 74 sub-issues within the scope of the 40 additional issues identified.

Of the 40 additional issues, a small number of issues (five) have presently been closed with the conclusion that they have not led to errors in relation to the bank's customers, while other issues are still being processed to determine the extent and significance of the errors and, if necessary, to compensate the bank's customers for any overcollection.

In continuation of our report of 31 October 2021, the Danish FSA issued an order to the bank in a decision of 3 December 2021 to extend and broaden the impartial investigation initiated by the Danish FSA in its decision of 26 November 2020.

According to the decision, the impartial reviewer must on an ongoing basis monitor and assess

1. the measures taken and to be taken by the bank in relation to the four defined root causes of the errors in the bank's debt collection process and the bank's analyses and specific implementation of measures in relation to the known (at the time) 28 additional issues and potential additional general issues in the bank's debt collection process that may be identified;

2. the bank's measures to identify and communicate to the customers affected by the four root causes and all additional issues identified;
3. the bank's ongoing progress in the above processes, including whether the bank allocates adequate resources to the work;
4. the implementation of future systems support in respect of the bank's debt collection process, including assessing whether new systems and/or updates to existing systems will ensure that the bank has IT systems that support the bank's future debt collection process.

Moreover, the order of 3 December 2021 specified that the impartial reviewer must review the final system implementations and/or system changes after the bank has "cleansed" all data and included the data in the bank's IT systems and ensured that all controls have been carried out and that the bank's IT systems for debt collection operate normally.

It is also described that the bank, together with the impartial reviewers, must prepare a detailed and realistic timetable with specific milestones that can be used for reporting progress to the Danish FSA. As stated below in sections 2 and 3, this work has not been implemented, among other things because the bank has not used detailed long-term timetables for its work. It has therefore been difficult for us to gain assurance that the non-detailed long-term timetables actually used by the bank were realisable. According to information received, the bank is now working on plans for alternative approaches to the project that may affect the overall time horizon of the project.

The Danish FSA's decision of 3 December 2021 does not include a timetable for our preparation of additional reports or the contents thereof, nor does it contain a final deadline for the bank to complete the remediation of the bank's debt collection.

This report is a preliminary follow-up on the bank's work on the tasks described above in the Danish FSA's decision of 3 December 2021 since the work has not yet been completed and because the work is expected to take place for a longer future period of time (see section 3 below for more details).

The scope and contents of the report are described below in section 1.3, and section 3 describes the bank's timetable for the further work on the remediation process and the bank's organisation of the work in this area.

1.1.3 The Danish FSA's decision of 25 April 2022 concerning the bank's work to remediate its debt collection

In its decision of 25 April 2022, the Danish FSA notified the bank of the following additional orders regarding the work to remediate the bank's debt collection. Among other things, the decision states as follows:

> *"The Danish FSA orders Danske Bank A/S to*
>
> - *take the necessary measures to ensure that the bank reports correct data about interest and outstanding debt to the Danish tax authorities for customers who have received compensation after a recalculation of their debt to correct errors due to the four root causes. This also applies to customers who will receive compensation in future and therefore do not have any outstanding debt to the bank. In addition, the bank must inform these customers individually thereof;*
>
> - *inform other customers whose debt will expectedly be reported at an incorrect amount to the Danish tax authorities in 2022 and thereafter;*
>
> - *take the appropriate measures to be able to calculate an estimate of a customer's outstanding debt within a reasonable time if a customer so requests;*
>
> - *clarify the information published on the bank's website regarding the status on the work in relation to the four root causes."*

We have noted these orders order in relation to our investigation and will follow up on the progress made by the bank to comply with the orders.

1.1.4 Reply to the Danish Parliament's Business Committee on adequate customer information

In relation to the notification of the bank's customers, we described in section 3.5.1.1 of our report of 31 October 2021, among other things, that, firstly, the bank has had a difficult task in ensuring that customers receive sufficiently detailed and accurate information for the customers to understand and react to the errors detected and understand their implications. Secondly, the bank's calculation of compensation has been characterised by a very high degree of complexity.

In this connection, we stated that we had generally not found any basis for criticising the level of information contained in the bank's payment letters since the bank's customers are explicitly advised of the possibility of asking the bank questions about the calculations if the statement gives rise to such questions.

In this context, we have noted that, after having submitted the questions to the Danish FSA, the Danish Minister for Business Affairs – on 11 October 2021 and on 17 December 2021 – answered two questions from the Danish Parliament's Business Committee about whether the bank informs the affected customers of the basis of the bank's calculations and conclusions and about whether customers have a real opportunity to respond to the information.

In this connection, it appears from the reply of 17 December 2021 to the Business Committee that, as an impartial reviewer, we have assessed that customers will probably not be able to determine the nature of the errors for individual customers on the basis of the bank's letters. However, customers have been informed of the possibility of contacting the bank for further information. It also appears from the same reply that the Danish FSA expects that, when a final decision is made for the individual customer, the bank will offer to send the customer the basis of calculation for the final decision so that he or she can have the calculations verified.

1.2 Method and our approach to analysis

As regards our work, including the basis for our conclusions, and our analytical method, etc., reference is made to our report of 31 October 2021, section 1.3.2, which contains a detailed description of the work, including as regards legal clarifications, section 1.3.2.1, and manual procedures, section 1.3.2.2.

As we described in our report of 31 October 2021, the bank – in addition to the four root causes – has identified a number of additional issues that may have led to errors in the bank's debt collection. At present, the bank has identified a total of 40 additional issues, including 74 sub-issues.

The bank will work on these additional issues, described below in section 9, in a number of teams that will simultaneously carry out analyses of issues and correct the errors identified. Via reports from these teams, the bank also continues to find new errors in its debt collection that may require notification of the bank's customers, correction of data in its systems, payment of compensation to its customers and implementation of corrections to IT systems or business processes.

In order to ensure adequate and consistent reporting to the Danish FSA on the bank's work to remediate its debt collection in relation to these many additional errors, we use a "gate structure" in this report to illustrate the bank's progress in respect of the individual additional issues from the identification of issues

to the correction of errors in relation to the bank's customers and in relation to the bank's future operations.

The gate structure is described in detail below in section 9.3, in which we also include an overview that illustrates the bank's overall progress in relation to the many additional issues and sub-issues identified by the bank after the identification of the four main root causes.

The gate structure describes a number of stages ("gates") that the bank must pass when analysing the individual errors, informing its customers, calculating and providing compensation, correcting data in its systems and introducing new controls and business procedures and corrections to the bank's IT systems, etc.

Thus, when we describe below that an additional issue has passed a certain gate (for example, Gate 1), we refer to the gate structure described below, section 9.3, and the stages and conditions described therein. The purpose is to facilitate reporting in relation to the total amount of additional issues, including obtaining a clear overview of the work carried out by the bank and the work to be carried out to remediate the bank's debt collection and to comply with the orders issued by the Danish FSA (see above).

1.2.1 Collection of data, verification of information and cooperation with the bank

In preparing this report, we have essentially collected information in the same way as when we prepared our report of 31 October 2021. The process involves asking the bank to provide information in specific areas, and the bank subsequently answers our questions on the basis of the individual request.

The bank's response to information requests follows a process in which the individual units responsible for analysing and resolving the relevant issues receive our information requests, and then the unit in question identifies and qualifies the relevant information on which the bank's response is based.

Responses to our information requests are subject to a verification and approval process at the bank to ensure that the information is correct and adequate. In addition, the documentation is subject to an anonymisation process, which means that personal data, such as information about the bank's customers, is removed so that we do not receive such data unintentionally.

In connection with the preparation of this report, we have also submitted the draft report to the bank for consultation to ensure that the factual information contained in the report and the material assumptions and assumptions on which our conclusions are based are also – to the best of the bank's knowledge –

correct and complete. In this connection, we have also asked the bank to confirm that all relevant correspondence between the bank and the Danish FSA for the period since 1 November 2021 has been shared with us. This was confirmed by the bank on 24 May 2022.

The exchange of information with the bank takes place via a so-called "virtual data room" containing our questions to the bank ("requests") and the bank's responses. In addition to the documents that the bank has included in the data room, the bank's employees, at a number of meetings between 31 October 2021 and today, elaborated on the information contained in the respective documents and explained the decisions taken by the bank in relation to the respective additional issues. In the report below, we have generally stated if we have received only oral replies to our questions at meetings with the bank. Similarly, we have stated if the documentation provided to us appears incomplete or does not fully reflect the bank's decisions or the work processes carried out by the bank, for example in section 8.2.1.1 on the bank's models for calculating customer compensation in relation to the four root causes.

As described, the bank's responses to our requests go through a quality assurance process at the bank before being sent to us via the virtual data room. The process entails a high degree of certainty that the responses that we receive have been approved by the relevant specialists at the bank. On the other hand, the process still means that it often takes a long time (up to one month and up to four months for specific questions) from the time we request information to the time we receive it in the form of a written response. In our work on this report, we have therefore used a "cut-off date" (2 May 2022) so that the report generally describes the status of the bank's work as at that date. We have included information about developments at the bank after this date only if agreed specifically with the bank or after a specific materiality assessment, and we have taken into account material delivered to the virtual data room after that date only when this has been decisive for the report's overall conclusions. Moreover, this has taken place only when it has been possible to do so in the interests of the timetable for our work.

In order to address the inexpediency of the above process, we have, since our report of 31 October 2021, in cooperation with the bank, tried to improve the process of exchanging information in connection with our requests. This includes introducing a fixed format for requests and ensuring better ongoing follow-up on the individual questions and the bank's responses. The process also comprises establishing a fixed meeting structure in relation to the work on the additional issues and in relation to the reporting by the project management to us on the overall progress and decisions in relation to the project (see section 3.2 on the bank's governance of the impartial investigation).

Despite improving the process of exchanging information, several of our questions have still not been adequately answered by the bank, or the bank's responses have not provided the necessary insight. In a number of cases, we have received the requested material too late for us to be able, within the scope of this report, to ask follow-up questions. Consequently, this report will include descriptions of issues for

which we cannot make a final conclusion at this stage. If we have not yet obtained sufficient insight or documentation to reach a conclusion, this will appear from the report (see, for example, section 3.3 on the bank's timetables).

1.2.2 Legal clarifications

In connection with our investigation, we have identified a number of key legal assumptions, such as those underlying the bank's error detection, identification of affected customers, calculation of compensation as well as the design and use of the bank's IT systems and manual processes.

We have examined the documentation underlying these key legal assumptions, and where there have been grounds for doing so, we have carried out independent legal examinations and clarifications concerning matters that have had a decisive impact on the conclusions of the investigation.

In relation to key assumptions where the bank has obtained legal advice from one or more external advisers, we have not generally made a new legal assessment of the assessments made by the bank's adviser. However, we have conducted separate investigations if we have found that a specific legal assessment may be subject to uncertainty that is not reflected in the advice obtained by the bank or has not been handled in connection with the bank's choice of measures to prevent or correct the errors detected.

To the extent that we have discovered, during our investigation, that the bank's case handling is based on legal interpretations that are subject to considerable uncertainty in relation to the legal assessments, we draw special attention to this fact and provide an assessment of whether the bank has made reasonable efforts to organise its case handling so that the uncertainty does not affect the legality of the debt collection process.

1.3 Scope of this report and delimitation

The contents of this report are delimited partly by the Danish FSA's order of 3 December 2021 and partly by the bank's progress in relation to the additional issues identified in addition to the four root causes of errors in the bank's debt collection.

The scope of this report and its delimitation have been organised in dialogue with the bank and the Danish FSA on the basis of the bank's expected timetable for the first half of 2022. At the end of 2021, the bank had expected that it would complete the preliminary analyses of a total of 28 of the additional issues before 2 May 2022 and would complete the payment of compensation in relation to five of the additional issues. However, the bank's timetable has changed continually due to delays and new sub-issues, so the bank's progress has not in all areas been as assumed at the planning of this report. In several areas, we

have therefore received the bank's analyses and documentation for compensation models later than scheduled, and in some cases too late for us to be able to follow up on this within the scope of this report.

Therefore, this report will include descriptions of matters for which we cannot make a final conclusion at this stage. However, the report will continue to include a description of the bank's progress and a status in these areas, including material observations in this respect.

As specified in the order of 3 December 2021, the bank – in collaboration with us – must prepare a detailed and realistic timetable with specific milestones that can be used for reporting progress to the Danish FSA. As described below in sections 2 and 3, this has not taken place partly because the bank has not used detailed long-term timetables for its work.

Against this background, we have had a dialogue with the bank and the Danish FSA about the bank's planning process and the lack of use of long-term timetables. In this connection, the bank has stated that it generally plans the remediation work on the basis of a six-month planning horizon and such that the plan for the following six months is presented to us and the Danish FSA on an ongoing basis. In addition, according to information received, the bank works with an alternative solution that will affect the bank's overall timetable if it is implemented. We have not at present gained any insight into this solution

The bank's overall plan for remediating all issues identified currently extends into 2023, with the risk that the work will extend to the end of 2024 and potentially into 2025 if additional issues are identified. Many circumstances that determine the realism of the bank's timetable are still unresolved. We therefore believe that establishing an overall long-term timetable would involve a considerable degree of uncertainty. In this connection, we refer to section 3, which contains a description of the bank's progress in organising the work to remediate its debt collection since our report of 31 October 2021 as well as a description of the bank's current overall plan for the overall work in this area.

Section 4 describes the work carried out by the bank since 31 October 2021 to ensure that the risk of overcollection of the bank's customers is insignificant and to ensure that the bank's customers are not affected by other negative consequences of the errors detected by the bank ("preventive measures").

Section 5 provides a status of the bank's notification of customers in relation to the four root causes and the additional issues identified.

Section 6 provides a preliminary status of the work to compensate the bank's customers in connection with the errors that may have led to overcollection of customers and other losses for customers that the bank is obliged to or has decided to compensate.

Section 7 contains a general description of the bank's calculation of interest in its main debt collection system (the DCS). In relation to this section, we have identified the areas of calculating, adding, collecting and processing interest in the bank's debt collection system (the DCS) as areas particularly subject to risk, including because a large number of the additional issues identified by the bank are related to or affect the bank's charging of interest on collectible debt. The purpose of the description in section 7 is thus to provide an understanding of the overall system support for interest calculation in the DCS and to clarify the relation between the individual errors detected and the overall complexity associated with the correct handling of interest. Furthermore, the purpose of section 7 is to provide a status of the cross-issue analysis of the interest rate area initiated by the bank, the purpose of which is to apply a more holistic approach to error detection to make it more certain that all errors in the calculation of interest are identified and corrected.

Section 8 provides a status of the bank's work to remediate its debt collection in relation to the four root causes, including a description of outstanding issues and follow-up points in relation to what was described in our report of 31 October 2021.

Finally, section 9 includes the following:

1) A description of the overall status of the bank's work to remediate its debt collection in relation to the many additional issues. The description is based on the gate structure introduced above in section 1.2. The gate structure is described in detail in section 9.3.

2) A brief supplementary description of the bank's organisation of its work on the additional issues (see also section 9.2 of our report of 31 October 2021).

3) A status of the individual additional issues, including an indication of whether the issues pass one of the gates defined in the gate structure described above in section 1.2, and, for example, a description of whether the bank, in relation to issues for which compensation has been paid to the bank's customers, must be assumed to have compensated customer losses in full.

1.4 Definitions

The bank means Danske Bank A/S. To the extent that the report concerns legal entities other than Danske Bank A/S, this is stated separately.

The four root causes mean the four causes of errors in the bank's debt collection initially identified by the bank. They are described in detail in section 8 of this report.

The additional issues mean the additional issues described in section 9.

DCS means "Debt Collection System" and is the collection system used for collecting debt defaulted on in respect of regular banking products such as overdraft facilities, loans, guarantees, etc. This system was implemented by the bank in 2004, and debt items were transferred (migrated) from previous collection systems.

PF means "Personlige Fordringer" (Personal Claims) and is the collection system used for collecting debt defaulted on in cases in which the customer fails to make repayments on mortgage loans granted by Realkredit Danmark A/S and the collateral secured on the property is not sufficient to repay the mortgage loan in full. This system was implemented by the bank in 1979, but, according to our information, the data in the system today only dates back to the 1990s.

The Debt Management department is the bank's debt collection department, and it handles most of the cases transferred to the bank's collection systems.

The Insolvency department is a separate department of the bank that handles the debt collection process in large business customer cases.

An ORIS report means an Operational Risk Identification System report. This report is generated internally at the bank when a potential risk of errors occurs in the systems, and it is submitted to the Danish FSA if the risk is assessed to be real.

Fact Pack Fact Pack means a document in which the bank has described the initial analysis of the nature and extent of an issue and the preventive measures to stop the error. Together with the underlying documentation, this analysis forms the basis for our review of the bank's preliminary work on the additional issues.

The bank's QA team means the bank's Quality Assurance team. It reviews and assures the quality of results from compensation models and also reviews and assesses cases in which the bank has not been able to make a conclusion by means of compensation models. Previously, this team also handled the task of correcting red cases (see section 6.3 of our report of 31 October 2021).

2. OVERALL ASSESSMENT AND CONCLUSION

This section of the report contains a description of our most important observations regarding the bank's work on compensating customers and remediating its debt collection. The section thus summarizes the main points described in detail in this report.

In this connection, the section contains, initially in section 2.1, an assessment of the bank's work to remediate its debt collection, describing the overall status of the work on the four root causes and the additional issues.

Sections 2.2 – 2.5 deal with our observations and conclusions on the bank's organisation, the general interim measures, the bank's approach to calculating compensation and special aspects regarding the work on the additional issues. In this connection, each section contains a brief description of the bank's progress since our report of 31 October 2021 and the current status. Secondly, our assessment and observations are described in separate sub-sections.

2.1 Status of the bank's work on remediating its debt collection

2.1.1 The four root causes

In our report of 31 October 2021, we described the four root causes of errors that originally caused the bank to start work on remediating and compensating customers, and which in August 2020 gave rise to the Danish FSA requesting the bank to provide a statement on the bank's debt collection systems and the related errors.

The four root causes comprise errors in the transfer of debt to the bank's debt collection systems, where the principal amount, interest and fees were merged into one single debt item (root cause 1), and the registered limitation date may be based on a late limitation date (root cause 2). Furthermore, the root causes include errors in the transfer of debt items from previous debt collection systems on implementation of the DCS system in 2004, whereby guarantors may be registered as co-debtors (root cause 3), and several co-debtors may be registered separately for the same debt, with the resulting risk of overcollection (root cause 4).

As also noted in our report of 31 October 2021, the description of the above matters as "root causes" is chosen by the bank and therefore maintained in this report. However, a number of the issues related to the bank's debt collection which have been identified later are similar in scope and in nature to the root causes and may also affect whether the bank has a legally enforceable right to collect a claim and whether

the claim is correct. A number of the additional issues are derived consequences of the four root causes, whereas a larger number are separate issues.

At the time of our report of 31 October 2021, the bank had completed its analyses and compensation calculations in cases related to the four root causes. In this connection, compensation to customers who had been manually reviewed by the bank's QA team remained outstanding.

At present, according to information received, the bank has calculated the total number of customers found entitled to compensation due to the four root causes at 7,796 customers. In addition, the bank has informed us that on 1 February 2022 compensation had been paid to 5,275 of these customers, as payment to the remaining 2,319 customers was made difficult by specific circumstances, including bankruptcy/probate cases, blocked NemKonto accounts and issues in relation to the bank's AML controls. According to information received, the bank has set up a working group to find general solutions for payments to customers who are blocked due to AML controls. Against this background, the bank expects to make payments to an additional number of customers at the beginning of September 2022.

In this connection, we note that 202 customers did not, as expected by the bank, receive compensation in October 2021 due to errors in connection with the payments. According to the bank, this error has been corrected and payment was made at the end of April and at the beginning of May 2022. In addition, the bank has informed us that in the spring of 2022 it has checked all cases previously flagged as "green" cases, see our report of 31 October 2021, section 6.3, via the bank's data models, whereby the bank has identified another 54 customers entitled to compensation due to the four root causes. These customers are not included in the above 7,796 customers.

The bank has thus completed its review and payment of compensation of customers in respect of the four root causes in the cases in which payment has been possible. However, we note that the bank's compensation models assume that there is a rebooking and set-off of against any outstanding debt in the debt collection systems, and that this rebooking has not yet been completed, as the bank is awaiting a solution for correction of data. As stated in our report of 31 October 2021, section 7.7, the bank's customers cannot be considered fully compensated until the outstanding debt has been corrected. See section 2.5.1.2 about the consequences for the bank's reporting to the tax authorities.

2.1.2 The additional issues

In the report of 31 October 2021, we addressed the 19 additional issues for which the bank had prepared analyses as at 1 September 2021. At the time, the bank had identified a total of 28 additional issues relating to a number of very diverse issues, including issues relating to a number of bankruptcy/probate

court cases, issues concerning compliance with data protection rules, reporting to the Danish tax authorities, calculation of interest, good practice rules, etc.

Since the autumn of 2021, the bank has identified a number of additional issues, including sub-issues relating to issues already described. According to information received, a total of 40 additional issues had been identified in May 2022, and the number of underlying issues is considerably larger. An overview is available in section 9.3 of this report.

In general, several of the additional issues may have led to the bank's debt collection customers having repaid an incorrectly calculated debt, including a larger debt than the one they actually owed to the bank. In addition, customers may also still be registered with too large a debt today, including due to time-barred debt, errors in the bank's calculation of interest and collection of excess case handling costs, etc.

In this connection, the bank conducts ongoing analyses of the issues identified, as the bank gives priority to the analyses based on the potential impact of the issues on the bank's customers. At present, the bank has completed its preliminary analyses (completed Gate 1, see section 9.3) of a total of 31 of the 74 sub-issues.

Further, the bank has initiated payment or paid out compensation to customers in relation to a total of five of the additional issues. Specifically, at the end of May 2022, the bank has completed the payment of compensation to customers affected by the following additional issues:

- Additional issue no. 10 (*home*), which concerns the bank's failure to negotiate fees with the estate agent chain *home* owned by the bank in connection with the customer's non-forced property sale in which a loss is accepted in the period 2013-2019.

- Additional issue no. 14 (EOS), which concerns Nordania's practice of collecting reminder fees.

- Additional sub-issue 19a, which concerns errors in connection with the bank's closing of cases in the DCS and where the customer's last payment to fully repay the outstanding debt has turned out to exceed the outstanding debt by up to DKK 50.

- Additional sub-issue 19b, which concerns errors in connection with the bank's closing of cases in the DCS and where the customer's last payment to fully repay the outstanding debt has turned out to exceed the outstanding debt by more than DKK 50.

In addition, the bank is in the process of compensating customers affected by the following additional issues:

- Additional issue No. 2 (Helios), which concerns the bank's collection of reminder fees and interest on them. The bank expects to make the payments to the last customers for whom payment is possible in May 2022.

- Additional sub-issue no. 16a, which concerns the bank's mortgage system not containing information about or the functionality to handle potential time-barring of outstanding debt in the system. The bank expects to compensate all customers entitled to compensation by 31 May 2022 at the latest. See section 9.4.16, it being noted that compensation is expected to be paid only in the relatively few cases that are processed manually.

Generally, it should be noted that the bank's compensation to a proportion of its customers will be prevented by the same circumstances as described in relation to the four root causes set out above, and in particular that the customers' claims are subject to bankruptcy/probate court proceedings, that the NemKonto account has been blocked or that the bank handles issues in relation to its AML controls. As mentioned, the bank has set up a working group to find general solutions for payments to customers who are blocked due to AML controls.

Please also see section 2.5, which describes observations regarding the bank's work on the additional issues, including follow-up from the report of 31 October 2021.

2.2 The bank's organisation of the remediation work

In our report of 31 October 2021, we described the three programmes: the Athens, Sparta and Future IT programmes, and the organisation around them. In this connection, the overall organisation of the bank remains unchanged compared to the description in our report of 31 October 2021. However, the bank has formalised several units and set up new steering committees, and resources have been added to the programmes to free up the capacity of key persons and to support the work on analysing the increasing number of additional issues.

At as mid-May, the bank's organisation related to the debt collection has increased to around 300 employees (internal as well as external consultants), of which 60 persons have been allocated to the bank's work on the establishment of forward-looking systems, processes and controls. This addition of resources has been aimed, among other things, at improving the joint project management and moving decision-making powers closer to the working groups, as well as at freeing up time for the few key people who, as described in our report of 31 October 2021, section 3.2, are crucial to Programme Athens.

However, the bank's addition of resources does not seem to have led to any significant change in relation to the overall timetable and the bank's progress in this respect. The increasing number of additional issues and the consequent need for legal clarification, search for data, etc. have thus led to an increased continued pressure on key persons in the bank. Delays in the work on the respective additional issues are seen on an ongoing basis, including as a result of "bottlenecks" among key persons, including data resources and the bank's legal department. The bank has sought to solve this by adding additional resources, which, however, has only partly solved the problem, see sections 2.2.1 and 3.1.

As described in our report of 31 October 2021, sections 3.5.1 and 7.7, and as mentioned in a number of places in this report, the bank has not yet corrected data in its systems in connection with the calculation of the customers' entitlement to compensation due to the four root causes. Moreover, the bank generally has not corrected data in the systems in connection with the payment of compensation due to the additional issues. However, for some issues, the compensation has been "booked" as a "payment on" or "correction of" the customer's outstanding debt, if any, in the case affected by the issue. See for example below, section 9.4.10, regarding the fees to the estate agent chain *home*. Regarding the reason for the bank's failure to correct data in its systems. Reference is made to section 3.3.2 below, which describes the challenges currently associated with the correction of customer debt balances.

2.2.1 Assessment and observations

The bank is still seen to have a comprehensive organisation that works purposefully and in a structured manner to comply with the orders issues by the Danish FSA. The addition of resources must, however, also be seen in the light of the continuing increase in the number of additional issues identified by the bank.

Despite the bank's FTE additions since 2021, the bank still relies heavily on a number of key persons whose knowledge or competencies are crucial to the project's progress. In this connection, the bank states that it has chosen to focus on the workload of the key persons concerned, so that they can better prioritise the remediation work, and the challenge has been met by e.g. one-on-one training of colleagues and documentation of case handling procedures based on interviews and workshops, etc.

The bank has informed us that, for a period of time, the work has been characterised by a lack of people with data management skills, and a number of teams have been totally or partially blocked in their work processes as a result of "bottlenecks" in the project's legal teams. In relation to the latter, we note that in relation to the bank's work on the additional issues, there is generally a significant risk of delay and inadequate analysis due to the lack of resources in the bank's legal department associated with the programmes. Read more below. Several of the additional issues thus depend on legal interpretations, and in

this connection, we have observed that the legal analyses provided to us do not in all cases seem to describe the investigations carried out by the bank and the assessments that have been decisive for the bank's conclusions. This does not necessarily mean that the bank has not made decisions on a sufficiently strong legal basis, but merely that we cannot, based on the material provided to us, establish that this is the case. For a number of the analyses we have examined, the legal conclusions have thus been documented in a brief form, which does not necessarily make it possible to make a real assessment of how the bank has reached its conclusions.

In view of the complexity of several of the issues identified, it appears that the bank's lawyers to a higher extent need to be part of the individual teams performing the analyses and not only that their advice is sought in connection with specific questions. In this context, it is particularly important that the bank's legal department should be presented with the relevant set of factual information, so that answers can be given on an informed and specifically relevant basis. In some of the analyses presented to us which have formed the basis for the bank's conclusions, we cannot find that the bank's legal department has provided answers on the basis of an adequate and sufficiently concrete basis. This applies, for example, to additional issue no. 25, where the bank's legal department states in its analysis of time-barring issues that the answer is uncertain due to "*the available limited information basis*". In this connection, a closer tie between the legal competences and the individual analysis teams would probably help to reduce the risk that responses from the bank's legal department are used incorrectly or too broadly, or that questions to the bank's legal department are answered based on erroneous or incomplete assumptions.

As stated above, there have been challenges in the programme since 31 October 2021 due to lack of resources to make legal responses. We can see from the minutes of the meetings that the Athens Council has discussed issues concerning the adequacy of the allocated legal resources at meetings held on 20 January 2022, 1 February 2022, 22 February 2022 and 8 March 2022. The Debt Management Committee also appears to have discussed the problem at meetings held on 24 January 2022, 11 February 2022, 4 March 2022 and 22 April 2022. The minutes of the last meeting of the Debt Management Committee show that the bank continues to work on adding additional resources. The bank has stated that, in addition to a number of allocated FTEs in the legal department, several persons with a legal education are working in the programme, including a number of external consultants. In particular at the end of 2021 and the beginning of 2022, the bank has also used external legal advisers to mitigate the risk of the lack of resources in the legal department leading to "bottlenecks" in the programme.

2.2.1.1 The bank's approach to the issues

As far as the additional issues are concerned, the progress of the bank's work depends on the amount of resources available for the work relative to the prioritisation and complexity of the issues. As described

in our report of 31 October 2021, the work on the individual additional issues is carried out simultaneously by a number of research teams, which involves a risk of the bank's work being too silo-based, and that the bank therefore fails to identify issues and errors that lie in the border zone between the work performed by different teams. In addition, the sequential approach to analyses entails a risk that, in connection with the processing of an additional issue, the bank will overlook the fact that the newly discovered error may create reasonable doubt about any conclusion that the bank has previously reached in relation to completed analyses.

Since 31 October 2021, the bank has explained to us that it is trying to address these risks, including by ensuring a higher degree of cross-anchoring of the individual issues between the various management layers of the programmes, and by ensuring better and more frequent communication between the respective analysis teams. In this connection, we have found that the bank has taken a number of measures to ensure a more holistic approach to analysis, particularly in areas where there is a risk of errors being interrelated (see section 7 below).

An example of the more holistic approach described above is the interest rate area, where a number of the additional issues identified and addressed by the bank are directly related to the bank's ability to calculate, accrue, collect and handle time-barred interest during the individual debt collection case. On the basis of the experience gained in the identification of these additional issues, the bank has decided to conduct an overall analysis of the interest rate area, which includes the bank's debt collection systems and their functionality for calculating and accruing interest, the contractual basis with the individual customers, handling of time-barring and interest coverage, and the bank also considers changes in its business and regulatory environment that have historically led to changes in the interest rate applied by the bank to its claims against its debt collection customers.

Thus, we still believe that the bank's organisation and business procedures support stable progress in the work and high quality in the performance of the tasks that fall within the individual programmes. However, we are of the opinion that there is still room for improvement through working more efficiently and improving quality through centralisation of responsibility, ensuring a more holistic approach and follow-up on the individual additional issues.

2.2.1.2 The bank's timetable

On 27 April 2022, the bank published a press release stating that the bank does not currently expect to be able to complete its remediation work and compensate its customers before the end of 2024, and that there is a risk of delays into 2025 if additional issues arise. In this connection, we note that, according to information received since 27 April 2022, at least one additional issue has been identified.

At meetings with us, the bank has explained that it does not apply a detailed long-term timetable for the work, as such a timetable would necessarily have to be adjusted on an ongoing basis in relation to the project's resources and progress, as well as any new issues identified. However, in the above-mentioned press release of 27 April 2022, the bank states that it does not consider it acceptable that the bank's customers will not receive compensation for any overcollection until 2024 or 2025, and that the bank does not consider it acceptable that the bank will not be able to inform the customer until this time how any outstanding debt is to be calculated accurately. In addition, the bank has stated that the bank is therefore working with alternative solutions to ensure clarity for the bank's debt collection customers sooner. We have not yet gained an insight into these plans.

As the number of additional issues and sub-issues has increased on an ongoing basis, it has been difficult for the bank to determine a long-term timetable. Against this background, the bank has scaled down its work on such a long-term plan in favour of ongoing planning for shorter intervals. Since our report of 31 October 2021, the bank has been able to improve its ability to plan for shorter time intervals and to ensure ongoing follow-up on plans and evaluation in this connection.

As a result, it is not possible for us to collaborate with the bank on preparing a detailed and realistic timetable with specific milestones that can be used in reporting progress to the Danish FSA, as requested in the FSA's order of 3 December 2021 (see section 1.1.2). Thus, the bank has not worked with detailed long-term timetables for its work, and it has been difficult for us to find comfort in the fact that the non-detailed timetables actually applied by the bank were feasible.

2.2.1.3 The bank's plan for correction of data ("write back")

As stated above, the bank has not yet corrected data in its debt collection systems in connection with the calculation of compensation to customers, and the failure to correct data means that a number of customers are still registered with a debt to the bank, even though the bank's compensation models have shown that the customers have in fact been overcollected by the bank. As stated in section 2.5.1.2, we believe that the bank, as soon as possible, should ensure, specifically for these customers, that their debt is reset in the system and that the correct debt is reported to the Danish tax authorities. In this connection, we also refer to the order issued by the Danish FSA on 25 April 2022, which instructs the bank to make this correction.

The failure to correct data also means that a large number of the bank's customers are still registered in the bank's systems with a debt that has been calculated incorrectly. The bank's approach, in which the correction of data (the so-called "write back") has not yet taken place, is, according to information received, based on a number of factors that mean that data correction cannot be carried out at the same time as the bank calculates compensation for customers (see below).

First of all, the bank is working on a number of additional issues, which in many cases may give rise to corrections to the individual customer's debt, but the bank is not yet able to calculate the exact impact for the individual customer. An effect of the sequential approach is that data correction in customer cases cannot occur on an ongoing basis without the risk of this leading to additional complexity and the risk of errors. Recalculation of a customer's case after corrections in the transaction history will always be a very complex process. It will become even more complicated if the bank makes corrections to accounts on an ongoing basis so that a recalculation that takes place today may have to be redone at a later stage due to the fact that the bank in a later analysis determines that other errors also result in a need for correction of transactions in the account that in turn are transactions that occurred at an earlier date than the transactions already corrected by the bank.

In relation to the above, we understand that the bank generally considers that it is too risky to carry out corrections to data on an ongoing basis or to otherwise calculate the customer's correctly adjusted balance, even if this means that customers who are not deemed to have been overcollected, but whose debt balance must be corrected, cannot be informed of the correct outstanding debt until the correction has been made. The bank is developing a tool that can be used by the bank to ensure that these customers can instead receive information about their "estimated outstanding debt" within a reasonable period of time. We have not gained insight into the bank's timetable for its implementation.

Secondly, in connection with the four root causes, we note that the bank has focused on the payment of compensation to all customers concerned in accordance with the principles described in section 7.2 of our report of 31 December 2021, including that the bank generally disregards when an error was made. This means that in some of its compensation models, the bank calculates compensation on an incomplete data basis, for example because transaction history is not available for periods far back in time. The bank must therefore base the compensation calculation on a number of assumptions to replace the precise data.

A deficient data basis means that the compensation models cannot necessarily be used for mathematical recalculation of the individual customer's case, and for a number of cases it is certain that recalculation as such will not be possible. A correction of data must therefore be made in another way, either by a write-down of the remaining debt balance as deemed appropriate with value date today without a proper recalculation, or by developing models that approximate the recalculation without being exact. It should also be noted that the bank has not in all cases been able to use the compensation models to arrive, with a high degree of certainty, at a conclusion on compensation, meaning a proportion of the cases have been assessed by a manual review.

As we understand the bank's statements, the bank has taken the view that, due to the above factors, it is not possible to develop a model for correction of the balance until the bank has obtained a higher degree

of certainty that all additional issues have been identified and before the bank has a better insight into how the issues affect the individual customer's case. This means that the bank will not be able to inform the individual customer of the precise outstanding debt until later in the remediation project, and that means that the bank will continue to report the debt to the Danish tax authorities incorrectly.

On 25 April 2022, the Danish FSA issued an order to the bank, which requires that the bank must be able to disclose an estimated outstanding debt to the individual customer on request within a reasonable period of time. In this connection, as described in section 7.2.2, the bank has started work which includes the development of a database alongside the bank's systems. This database must support the work of continuing to calculate compensation for any overcollection and facilitate the required estimation of the outstanding debt of the customers. In this connection, the bank must be capable of estimating the outstanding debt with such degree of precision that can be obtained based on the bank's knowledge of errors in the customer's case at any time.

We have not yet been presented with more detailed plans for the development of the database mentioned above, and the work on its development is, as we understand it, at an initial stage

2.3 Preliminary measures against overcollection etc.

In our report of 31 October 2021, we described how the bank since the summer of 2019 had implemented a number of measures to prevent overcollection of debt collection customers. We concluded that the bank's measures had generally worked as intended, but we pointed out a number of specific areas where the measures were potentially inadequate.

Since our report of 31 October 2021, the bank has taken further measures to protect customers against overcollection during the period when the customer's outstanding debt in debt collection systems may be affected by the root causes and the additional issues.

The implemented measures to prevent overcollection generally include the following actions, which are described in more detail in section 4 of this report:

- The bank has stated that, according to the bank's decisions in May and September 2021, it has withdrawn all claims that have been submitted by the bank in bankruptcy/probate court cases. Moreover, since the summer of 2021, the bank has, according to information received, submitted claims set up in the debt collection systems only when they are processed by the bank's insolvency department. This department handles a small number of cases that typically concern large receivables. When the insolvency department submits claims, the claim is made following a process in which the bank waives a proportion of the registered debt to take into account any

uncertainties associated with the registered debt. In the bank's other debt collection cases, only one claim has been submitted in connection with a restructuring case, which has been made on the basis of a specific assessment and adjustment of the debt.

- The bank has also withdrawn pending cases from the courts. However, according to information received, the bank has maintained seven cases on the basis of a specific and individual assessment. Four of the cases had already been the subject of a judgment or order, and the last three cases, in the opinion of the bank, concern questions of principle or cases appealed by a counterparty. On 24 May 2022, the bank stated that six of these cases had been closed and that, therefore, only one active case is pending, which was appealed at the initiative of the counterparty.

- At the end of 2021, the bank implemented an extended Pause logic in both the DCS and the PF, whereby all payment agreements have been suspended, unless the customer has informed the bank that the customer wishes to continue repaying the debt. In this connection, the bank has sent letters informing customers about the suspension of payment agreements if the individual customer has not already actively opted to continue repayments despite the risk. In addition, the bank has prepared a guide for customer advisers in cases where customers contact the bank with a wish to resume the repayment of debt.

- In addition, the bank has implemented a control system to ensure that suspension of the regular interest is registered for all cases in the collection systems on a monthly basis and across accounts and cases.

- In relation to the cases previously flagged as "green", the bank has carried out a check of these cases via the bank's compensation models, because, as described in our report of 31 October 2021, we had continuously found a not insignificant percentage of errors in the bank's sample review of the manual adjustments. In this connection, the bank has identified 54 customers who must receive compensation due to the four root causes.

The bank has also regularly informed customers about the additional issues that the customer is deemed to be affected by. As stated in our report of 31 October 2021, the bank has assessed that, in view of the large number of additional issues, it has considered it most appropriate to aggregate the communication concerning several issues in the same letters, including in order not to send the bank's customers unnecessarily many letters about the remediation work. It should also be noted that the bank appears to have ensured that all customers for whom contact information is currently available have received at least one information letter about the risk of errors in the statement of debt, etc. from the bank.

Since our report of 31 October 2021, the bank has also considered the implementation of a so-called cap solution (a limit on what can be paid by customers who opt to continue repaying debt to the bank) to reduce the risk that there will be a need for compensation at a later date for customers who have opted to continue to repay their debt. However, a final decision has not yet been made, and the bank is still considering several solution models. We have not received an expected timetable for the bank's decision and implementation of a solution.

2.3.1 Assessment and observations

As the bank's decision to extend the Pause logic has been implemented as described above, we believe that the risk of overcollection in relation to the customers concerned must be considered insignificant. In any case, the risk is thus seen to be limited to cases where, despite being informed about the risk of errors in the statement of debt, the customer actively chooses to continue to settle the debt. The bank has informed us that approximately 2,000 customers continue to make monthly repayments.

In this connection, when implementing the suspension of interest accrual, the bank has since October 2020 ensured that the customer's outstanding repayments can be made without any interest rate consequences for the customer. According to information received, since December 2021, the bank has observed a significant reduction in the number of customers who are actively repaying their debt.

We also note that the bank has implemented measures to ensure that claims submitted in connection with bankruptcy/probate cases and pending lawsuits have been withdrawn to the extent possible and that, as a clear general rule, no new claims are submitted in connection with bankruptcy/probate cases. The bank's exemption from this in individual special cases, which typically relate to large receivables, takes place as described in a process in which the bank waives a proportion of the registered debt to take into account any uncertainties associated with the registered debt. This process is viewed as involving a significant reduction in the outstanding debt, including the waiver of all interest and fees accrued to the account after transfer to the collection system, as well as adjustment for the four root causes and additional issue no. 2 (interest on reminder fees). Against this background, we believe that the risk of the bank submitting a too high claim must be considered to be extremely limited.

The measures now implemented by the bank are thus seen as having substantially reduced the risk of overcollecting the bank's customers. However, we note that the outstanding debt registered for customers in the bank's debt collection systems may still be affected by both the four root causes and a number of the additional issues, which may result in the outstanding debt being too high. Thus, a correction of data has not yet been made after the bank's recalculation of cases that may be affected by the four root causes (the so-called "write-back", see section 3.3.2). In this connection, at present the bank does not

appear to have established a process for when and how the question of overcollection is to be investigated and handled in cases where the customer continues to make repayments, see section 4.2.3.

2.3.1.1 Risks due to non-correction of data

As mentioned above, the bank is considering putting a cap on the customers' debt repayments in order to avoid the risk of overcollecting customers who continue to make repayments. However, the bank's considerations are currently very preliminary, and no concrete solution exists at the moment. Therefore, we cannot at this time comment on the effect of this or the consequences for the individual customer. Moreover, we do not know the bank's timetable for implementing this initiative. However, the bank has stated that a draft decision will be presented to the bank's decision-making bodies at the beginning of June 2022.

However, we note that the current lack of a process for when and how to investigate and handle the issue of overcollection may lead to inappropriate or undesirable results for the bank's customers. Consequently, it is not currently possible for the bank's debt collection customers to settle all their registered debt to the bank without the risk of an excess amount being paid as a result of the many additional issues in the bank's debt collection systems. For customers who otherwise need to prove that they do not (continue to) have debt to the bank, for example in connection with the raising of loans with another bank, this may be unreasonable. Overall, we therefore see a need for a solution that can accommodate requests for clarity from customers who have the opportunity and wish to repay in full their debt before the bank's analyses are completed.

We note that the Danish FSA, in its decision of 25 April 2022, ordered the bank to take the appropriate measures to be able to calculate an estimate of the customer's outstanding debt within a reasonable time if a customer so requested. According to the FSA's decision of 25 April 2022, reasonable time will generally be 14 days, except in complex cases, or the bank receives such a large number of requests that it will not be possible to reply to everyone within this time frame. The bank's considerations regarding a cap on debt collections are likely to contribute to this. The bank has stated that it is working on establishing a database to ensure that the bank has a better overview of the possible impact that the respective additional issues may have on the individual customer's account. However, this database, which is also expected to form the basis for the bank's future assessment of the possibilities for set-off (see section 2.5.1.4), is still being implemented, and we have not received a detailed description or timetable for the implementation. We will therefore monitor the bank's further work in this respect.

We also note that the failure to correct data entails a risk of errors in the bank's reporting to the Danish tax authorities, including both for customers whose outstanding debt is higher than the actual debt owed to the bank and for customers for whom compensation models have shown that the debt has actually been repaid in full and that the account must be closed (see section 2.5.1.2).

2.3.1.2 Communication to the bank's customers

In relation to the bank's communication with customers, the bank regularly informs customers individually about the issues that the customer is deemed to be affected by. In this connection, the bank seeks to gather information about several issues in one letter to avoid an unnecessarily high number of letters to customers.

As previously described, the bank's extended Pause logic also provides protection against overcollection, as all customers who make repayments have had their payment agreements suspended at some point since October 2020 and have been informed of the risk if they continue to make repayments voluntarily. In the light of this, we have no comments on the fact that the bank was waited notifying customers about some of the additional issues in order to be able to send out more specific information about several issues in the same letter.

We note, however, that in relation to some of the additional issues, the bank has chosen a different approach to communicating with customers than the one established in relation to the debt collection cases in the bank's debt collection systems. This can be seen in relation to additional issue no. 14, which concerns Nordania's "Leasing Core" system (see section 9.4.14).

2.4 Calculation of compensation for overcollection

The bank has at present completed its calculation and compensation of customers due to the four root causes in cases in which payment has been possible. The bank has also initiated compensation of or compensated customers for several of the additional issues (nos. 2, 10, 14, 16a, 19a and 19b), see section 2.1 above.

The bank's approach to calculating and determining compensation amounts is described by the bank in so-called calculation approach documents (model documentation). The documentation is prepared in connection with the bank's analyses and planning of the approach to compensation for the individual issues, including the possible development of relevant data models. The bank's model documentation is approved in this connection by the two governing bodies: the Athens Council and the Debt Management Committee.

At present, we have received the bank's model documentation concerning additional issues nos. 2, 10, 14, 16a and 19. Since our report of 31 October 2021, we have also received an updated version of the bank's model documentation concerning the so-called DCS model used to recalculate cases and to assess the customer's potential entitlement to compensation as a result of the root causes 1 and 2 in this system. On

the other hand, according to information received, the bank has not made any changes to the model documentation concerning, in particular, the PF model and the statistical model.

At the end of 2021, the bank adopted an approach to compensate customers for the expected taxation of the compensation paid to the customer. In this connection, the bank has chosen to compensate customers by an amount equal to the average tax rate set at 37.8% for personal customers. Customers are advised of the opportunity to report additional claims if they are subject to the top tax rate in the year in which they receive the compensation. The bank has also obtained external advice and binding answers from the Danish tax authorities regarding the taxation of amounts paid to customers. In this connection, the bank advises customers about the tax reporting obligation in connection with the payment of compensation amounts, and, according to information received, the letters have been discussed with the Danish tax authorities.

2.4.1 Assessment and observations

We note that as part of the work to compensate its customers, the bank continue to observe the principles described in section 7.2 of our report of 31 October 2021.

In general, we believe that the bank is seeking to position customers financially as if the errors had not been made, which is generally reflected in the bank's approach to compensation of customers in relation to the respective additional issues. As also stated in our report of 31 October 2021, the principles underlying the bank's compensation models will, in our opinion, result in a very large proportion of customers receiving compensation that is higher than what they are entitled to under Danish law and the contractual relationship with the bank. This is partly because the bank compensates customers, even though their claims may be time-barred, and also because in many cases the bank appears to have made choices which, in relation to the actual calculation of the compensation amount, will in general be to the advantage of the individual customer. However, we note that the bank's approach to time compensation and set-off entails a certain risk that some customers will not be fully compensated or that full compensation will not be paid until later in the bank's process (see section 2.4.1.2 on time compensation and section 2.5.1.4 on set-off for more information).

As described in our report of 31 October 2021, the bank's compensation to customers includes time compensation. According to the bank, this time compensation is calculated in accordance with section 5 of the Danish Interest Act, and the bank's approach appears to be generally the same for the four root causes and additional issues. However, in relation to additional issue no. 2, which concerns interest on reminder fees, the bank appears to have calculated the time compensation in a slightly different way.

In calculating time compensation in relation to additional issue no. 2, the bank has thus followed the current changes in the Danish central bank's lending rate and not – as provided in section 5 of the Danish Interest Act – the changes as at 1 January and 1 June. However, the bank itself believes that this is to the customer's advantage.

We have not reviewed specific cases and are not able to verify the bank's calculations. Thus, we are not able to assess whether the bank's approach, as stated, actually benefits the customers in all cases. However, we note that the approach does not correspond to section 5 of the Danish Interest Act, and to our understanding, the approach differs from that of the bank's compensation in other contexts, without any particular reason for this being apparent.

We also note that the bank does not appear to have followed up on all the matters that we pointed out in our report of 31 October 2021 concerning documentation of the bank's data models for calculation of compensation and regarding the bank's approach to section 5 of Danish Interest Act when calculating time compensation (see section immediately below). See section 2.5.1.4 below regarding set-off against outstanding debt.

2.4.1.1 The bank's compensation models for the four root causes

In our report of 31 October 2021, we noted that the documentation submitted by the bank for the models used by the bank for the recalculation of cases and for the calculation of compensation in relation to the four root causes was provisional and still available only in draft. The model documentation therefore generally did not provide a complete picture of the models and the underlying assumptions and choices. The documentation for the PF model and the statistical model was particularly insufficient, and we have therefore asked for updated documentation.

However, the bank has stated that no update has been made of the documentation relating to the PF model and the statistical model. Since the model documentation thus still does not provide a fair presentation in all respects, and since the documentation contains inadequacies in relation to the overall model, there is still uncertainty as to the exact content of the models. We refer to our comment on this in our report of 31 October 2021, which describes several inadequacies in the model documentation, and to section 8 of this report, which includes the bank's supplementary information in this respect.

An outstanding matter in the last report concerning the bank's calculation of limitation dates in the PF model in relation to voluntary property sales in which a loss is accepted. In our report of 31 October 2021, we noted that we had found some discrepancies in the information provided by the bank about the dates used for calculating the limitation dates for voluntary sales of the property, and that, as a consequence,

it was not possible for us to express an opinion on this. We have subsequently sought clarification of this matter with the bank.

Despite having discussed this with the bank for quite some time, we have still not obtained sufficient insight to conclude on the bank's approach in this respect. The bank's information has thus not been consistent, and we have received information along the way that gives rise to uncertainty about the bank's approach. Most recently, we received new information from the bank on 24 May 2022, which does not appear to correspond to the information provided earlier. We will therefore continue to follow up on this matter regarding the calculation of limitation dates in the PF model (and the PF in general), as this is of crucial importance for the bank's collection and compensation of customers. In our opinion, the lack of consistency in the bank's response underlines the need for comprehensive and adequate documentation of the model used by the bank to recalculate customers' cases in the PF model, which, as mentioned above, is still not available.

2.4.1.2 Time compensation for the period before March 2013

In our report of 31 October 2021, section 7.8, we noted a risk that customers would receive a lower time compensation than assumed under section 5 of the Danish Interest Act, as the bank's approach did not take into account a change in interest rates from 7% to 8% for claims due for payment on or after 1 March 2013. At the time, the bank informed us that the matter could only be assumed to be of importance in very few cases, but that the bank had started work to identify the potentially affected customers in order to ensure that that all customers would receive interest at the rate calculated in accordance with section 5 of the Danish Interest Act.

However, in connection with this report, the bank has stated that such an investigation has not been carried out or planned, since the bank considers the selected model to be advantageous to most of its customers and that any negative impact on individual customers is considered insignificant. It is thus our understanding that the bank has not followed up on its intention of identifying customers and thus ensuring that customers receive time compensation which at least matches the interest rate calculated in accordance with section 5 of the Danish Interest Act. However, in connection with its commenting on a draft of this report, on 24 May 2022 the bank stated that is still intends to investigate this matter. We have, however, not gained more insight into how the bank will make this investigation or the time horizon.

We thus provisionally note that the bank does not appear to have followed the approach that we were informed about in October 2021 in connection with our discussions with the bank about the risk associ-

ated with the current approach, see our report of 31 October 2021, section 7.8. Finally, we have not received any documentation from the bank explaining its decision presently not to identify the customers who may be affected by changes in the interest rate, and it is therefore not possible for us to verify the bank's assumptions that the model is considered advantageous to most of the bank's customers and that any impact on some customers will be insignificant. As the bank stated on 24 May 2022 that it still intends to investigate the matter, we will revert to this matter as part of our ongoing work.

2.5 Specific information about to the additional issues

As previously described, since the autumn of 2021, the bank has identified a number of additional issues, including sub-issues relating to issues already described. According to information received, by mid-May 2022, a total of 40 additional issues had been identified, it being noted that the number of underlying issues is considerably higher. An overview is available in section 9.3 of this report.

In our report of 31 October 2021, we described the bank's preliminary analyses of 19 of the 28 additional issues identified at the time.

Since October 2021, the bank has initiated payment or paid out compensation to customers in relation to five of the additional issues. This concerns additional issue no. 2 (interest on reminder fees), no. 10 (failure to negotiate estate agent fees), no. 14 (interest and fees at Nordania Leasing), no. 16a (time-barring in the mortgage system), and no. 19 (triviality limit for overcollection in connection with the closing of a case).

Other issues dealt with in our report of 31 October 2021 have since been closed, as the bank's analyses have concluded that there are no errors or customer impact. This applies, among other things, to additional issue no. 5 (vulnerable customers) and to additional issue no. 7 (the bank's Tableau data). In addition, additional issue no. 9 (in which the bank has examined (and dismissed) the risk of the aggregation of legal costs and principal amount) and additional issue no. 15 (the bank's bookkeeping).

However, since 31 October 2021 there has been no significant progress or change in a number of the additional issues, as the bank prioritises issues on the basis of an assessment of the number of customers affected and the need for compensation. Consequently, the bank seeks to prioritise the issues that the bank assesses to have the largest combined effect on customers, measured in terms of the number of affected customers and the expected need for compensation. Since our latest report, the status of, for example, additional issue no. 3 (errors in connection with manual adjustments in the PF system) does not appear to have changed. In addition, the status does seem to have changed in relation to additional issue no. 8 (about too high costs of legal proceedings), and additional issue no. 13 (about errors in cases transferred to external debt collection), as for these issues the bank is working towards a solution for

compensating customers. In relation to issue no. 13, the bank has, according to information received, identified such solution for compensating customers. However, this solution has not yet been documented, and payment to customers is not expected to commence until August 2022.

In addition, several of the additional issues have been expanded since the autumn by several underlying sub-issues. This includes, among other things, additional issue no. 1, which now includes six sub-issues, including errors in connection pro forma statements in cases relating to the estates of deceased persons (no. 1d), issues about the calculation of court fees (no.1e) and incorrect fees and obsolete interest in cases relating to the estates of deceased persons (no. 1f). Similarly, additional issue no. 13 has been expanded by a further sub-issue concerning payments from debt collection agencies, which in the DCS model has been considered to be an action that suspends the limitation period.

2.5.1 Assessment and observations

In our opinion, the bank still appears to have a comprehensive organisation that works purposefully and in a structured manner with the aim of complying with the orders issued by the Danish FSA to the bank.

However, the ongoing identification of new issues poses a risk of delay in relation to the bank's timetable for compensating customers, correcting data and resuming debt collection. The continued ongoing identification of new additional issues thus presents a significant challenge to the bank's timetables, see section 3.3. At present, we believe that the timeline for ultimately ending the case may continue to move faster than the momentum of the programmes. This will be the case until a higher degree of certainty has been obtained that the bank has identified all material errors and deviations.

In our opinion, it remains doubtful whether, by adding additional resources to the task of analysing and handling the additional issues, the bank could ensure significantly earlier completion of the total work now scheduled. Furthermore, the number of analysis teams has increased since our report of 31 October 2021 was prepared, but as described in the report, we believe that it will be difficult for the bank to further increase the number of teams, including because the individual teams continue to rely heavily on key persons. In this connection, we note that in relation to the bank's work on the additional issues, there is generally a significant risk of delay and inadequate analysis due to the lack of resources in the bank's legal department associated with the Programme. See section 2.2.1.

2.5.1.1 The organisation around the additional issues

Since our report of 31 October 2021, the bank has decided to add additional resources to Programme Athens. In this connection, the bank has with this addition of resources chosen to focus on the quality of its analyses, compensation payments, communication and knowledge transfer between the various sub-

units and to the Global Project Management Office. This is done through the use of a so-called "Stage Gate Model" in the programme management, which has been introduced since our latest report. The Stage Gate model is thus a permanent part of the overall project management and an integral part of the so-called "Factory Model", which was described in our report of 31 October 2021. See section 3.2.

The Stage Gate model is designed to ensure that the additional issues are addressed in phases (stages) with clear decision points, as each Gate marks a transition between these phases. In each phase, work is being done in the respective analysis teams and sub-units, and decisions are presented to the Athens Council steering group and the Debt Management Committee in connection with issues or transition between phases.

As described in our report of 31 October 2021, the work on the individual additional issues is carried out simultaneously by a number of research teams. This implies a risk that the bank's work will be too silo-based, including that the bank consequently does not identify issues and errors that lie in the border zone between the work performed by different teams. In addition, the sequential approach to analyses entails a risk that the bank, in connection with the processing of an additional issue, will overlook the fact that the error may create reasonable doubt about the conclusion reached by the bank in previously completed analyses.

However, following the preparation of our report of 31 October 2021, including in connection with our investigations of the work carried out subsequently by the bank, we have found that the bank has taken a number of steps to ensure a more holistic approach, particularly in areas where there is an obvious risk of errors being interrelated. This is seen in connection with the bank's work on, for example, interest-rate issues, see section 2.2.1.1, and set-off, see section 2.5.4.1.

2.5.1.2 Tax reporting

In our report of 31 October 2021, we noted that due to errors in the debt items registered in the debt collection systems, the bank makes erroneous reporting of debt to the Danish tax authorities. The issue is dealt with by the bank as additional issue no. 11.

The consequences for customers of the erroneous tax reporting are in particular that a too large outstanding debt may be pre-printed on the customer's tax assessment notice from the Danish tax authorities, which in some cases may affect the customer's relationship with third parties, for example, in relation to the customer's ability to document to financial institutions other than the bank whether the customer still has debt to the bank and, if so, the amount of such debt. Moreover, the errors in the bank's data base could entail that the customer may have received greater tax relief than the customers was entitled to.

The status at the time of this report is generally unchanged, and the bank has not yet presented us with a solution that includes correction of data in the bank's systems. The bank has also informed the Danish FSA in writing that in January 2022, the bank reported to the Danish tax authorities the wrong outstanding debt for up to 1,360 customers for whom compensation models for the four root causes have shown that the customer does not have any outstanding debt. In our opinion, this incorrect reporting ought to have been avoided, and the bank should correct the reporting as soon as possible to reflect the fact that the bank no longer believes that it has any claims against the customer in the case in question. We expect to follow up on this as part of our further investigation of the bank's work in solving the issues.

In this connection, we note that the Danish FSA on 25 April 2022, among other things, ordered the bank to take the necessary measures to ensure that, for customers who receive compensation after their debt has been recalculated for errors due to the four root causes, the bank reports correct data about their debt to the Danish tax authorities. This order also applies to customers who in future receive compensation for actual overcollection and who therefore will not have any outstanding debt to the bank in the case in question.

In this connection, the bank has informed us that an additional issue 38 has been identified. The purpose of this issue is, among other things, to analyse the issue of the lack of process with the aim of ensuring that accounts that have been subject to overcollection by the bank or excess payment by the customer are closed after the payment of cash compensation.

2.5.1.3 Deletion of customers from the RKI credit reference register

As part of additional issue 4, the bank has considered questions about the validity of the bank's registration of debt collection customers in RKI, as the bank may have registered customers in RKI on a wrongful basis or with erroneous debt information in a number of cases. The bank may also have maintained the customers' registrations with RKI for too long.

As described in our report of 31 October 2021, the bank decided, on 22 October 2021, to withdraw all its registrations of customers from the RKI register, for whom the bank could not rule out the risk that customers were registered wrongfully. As described below in section 2.5.1.3, we have subsequently been provided with documentation that the withdrawal has taken place as planned.

The bank has further informed us that it will not make new registrations of customers in RKI until the bank has ensured that its registered information about customer debt is correct, i.e. after the bank's correction of data in its debt collection systems ("write-back"). In this connection, the bank has stated that it has revoked employees' access to registering customers in RKI, which means that it is not possible for the bank's employees to register customers in RKI.

The bank has also stated that, in connection with the bank's resumption of debt collection, including registration of customers in RKI, control measures will be introduced to ensure fair registration of customers in the RKI register.

In addition, the bank has sent information letters to the customers to this effect, which in our opinion inform the customer sufficiently about the bank's handling of registrations in RKI. In this connection, we note that, in its information letter to the affected customers, the bank informs customers that they can report any indirect financial loss via a form on the bank's website.

2.5.1.4 Set-off against outstanding debt in the debt collection systems

As stated above, in relation to several of the additional issues, the bank sets off any outstanding debt in the debt collection systems before any balance is paid out to the customer. In connection with additional issue nos. 2, 10 and 16a, the bank thus sets off debt in the debt collection systems.

We note that there is generally a risk associated with set-off against outstanding debt registered in the debt collection systems given the many additional issues that have not yet been resolved and the fact that data has not yet been corrected in respect of the four root causes. The risk is thus that the amount is used to cover non-enforceable outstanding debt, as the outstanding debt registered may be affected by both root causes 1–4 and the other additional issues. If the bank's set-off cannot be considered as being connected to the same claim, the bank will not be entitled to set off in cases where the debt is time-barred. Further, in any case, the bank will not be able to set off against debt that the bank cannot rightfully claim from the customer (for example additional issue no. 8 on wrongfully charged costs and the additional issue no. 6 on wrongfully charged interest).

In this connection, the bank has not documented that it has implemented and applies a method that is sufficient to address the above risk, which makes it difficult to assess the question of compensation in relation to the additional issues for which the bank performs set-off in connection with the calculation of compensation or payment.

Asked about the risk associated with the above approach and set-off of outstanding debt in the debt collection system, the bank has stated that specific analyses have been carried out in relation to additional issue nos. 10 and 16a and that these rule out the risk that the bank makes offsetting against non-enforceable debt or against outstanding debt that the bank in the compensation models for the four root causes has already assumed will be used for set-off in connection with the subsequent correction of data. As of 2 May 2022, we had not received sufficient documentation of these analyses to assess whether the risk associated with this approach has been addressed for both issues. On 16 May 2022, the bank subsequently

submitted an answer to our questions in this matter. In view of the time of receipt of this reply, we have not had the opportunity to look into this matter for the purpose of this report.

Further to the above, the bank has stated that it is working on establishing a database to ensure that the bank has a better overview of the possible impact that the various additional issues may have on the individual customer's account. According to the bank, the purpose is for the bank to be able to regularly assess its possibilities for and the risks associated with set-off as part of future compensation payments in relation to the additional issues. We understand that the bank expects to create a database in which the bank will establish a comprehensive overview of customers and accounts and of the additional issues that may affect them and the effect on any outstanding debt registered. We do not know the timetable for the bank's implementation of this database.

In our further investigations, we expect to revert to this matter, as the bank's set-off against outstanding debt is seen to pose a potential risk of error if the necessary and relevant reservations are not made in this connection. As stated above, the bank has made a specific plan for dealing with this issue, but this plan has not yet been implemented in the Programme.

2.5.1.5 Preventive measures in Nordania's Leasing Core system

Additional issue no. 14 concerns Nordania's practice of collecting and accruing interest on reminder fees in Nordania's Leasing Core system. Nordania is a business unit of the Danske Bank Group, and the issue is dealt with in a separate project called "Project EOS".

As mentioned in our report of 31 October 2021, the bank's Pause logic has been implemented only for its debt collection systems, the DCS and the PF. Consequently, the bank has not implemented a general suspension of collection from Nordania customers, and according to information received, the bank has not asked these customers to stop their payments or the like. Consequently, it cannot be ruled out that, even after the bank's implementation of preventive measures, the affected customers may have repaid debt which was not owed to Nordania. However, the bank has informed us that it considers this risk to be insignificant, in particular because the amounts that may have affected the balance in customer cases in relation to Nordania's charging of interest on fees are relatively small. Further, the bank states that the period between the time when the issue was identified and until compensation was calculated and paid out was relatively short. Also this fact has, in the opinion of the bank, meant that is was not relevant to introduce a separate Pause logic for Nordania cases.

Further to the above, we note, however, that, according to information received subsequent to our report of 31 October 2021, the bank has stopped outsourcing debt collection to external debt collection agencies,

and the bank has, according to information received, adjusted its claim before seeking enforcement through the courts if the customer has been affected by additional issue no. 14.

Moreover – with the exception of customers who are or have been subject to probate or bankruptcy court cases – the bank has informed affected customers that it has wrongfully charged one or more reminder fees and that in a few cases, the bank has wrongfully charged interest on reminder fees. Affected customers have thus to a certain extent been aware that repayment in full of their debt to the bank could entail a risk of overcollection. The customers have not, however, been informed that the bank would not charge interest on outstanding payments.

We have not seen a proper analysis of whether the risk of overcollection has in all cases been insignificant, including how the bank has handled this in relation to customers who have been close to repaying their debt in full. In its approach above, the bank has, according to information received, assessed that any wrongful collection has been for relatively small amounts, but we cannot, however, conclude that the risk of overcollection has been insignificant in all cases.

3. STATUS OF THE BANK'S PROJECT MANAGEMENT AND SCHEDULE

3.1 The bank's organisation and project management

In section 4 of our report of 31 October 2021, we described the bank's organisation of the work to remediate the debt collection issue. We described, among other things, that the bank had established a comprehensive organisation that worked purposefully and in a structured manner to comply with the orders issued to the bank by the Danish FSA.

We noted that the bank's organisation and business procedures seemed to support stable progress with the work and high quality in the performance of the tasks within the scope of the individual programmes, in particular Programme Athens, cf. section 4.2 of our report of 31 October 2021. Thus, at the time, we had observed cases in which the general organisation did not appear to have been suitable for addressing the issues in an appropriate manner.

However, in the report of 31 October 2021, we also noted a risk that the bank's methodical approach, together with a formalised decision-making structure, did not always support the bank's ability to handle and respond to new knowledge as quickly as desirable. An example of this was that the bank did not until the end of May 2021 decide to again treat all customers in the debt collection systems as being potentially affected by errors, even though we believe that decision could have been made earlier. We also noted that the bank's process for preparing and sending letters to affected customers meant that all customers were informed of the risk associated with the additional issues only at a relatively late stage.

In our opinion, these observations were attributable, among other things, to the bank's working method, according to which decisions must be approved at many levels, and the treatment of sub-issues individually in some cases had meant that the bank had performed more holistic assessments of the need for action only at a late stage.

We also noted that the bank's significant focus on compliance with deadlines had potentially meant that the bank had not been able to give sufficient priority to carrying out a more holistic and thorough analysis, with the aim of detecting the errors found, including their causes and derived consequences. Such an overall analysis could have resulted in a broader and more holistic understanding of the interrelationship between the various issues, which could have led to the identification of several of the additional issues at an earlier point in time.

The following describes the bank's current organisation and business procedures, including the bank's approach to the issues identified and project management in this connection.

3.1.1 Organisation and business procedures

In our report of 31 October 2021, we described in section 4.1 the three programmes: Programme Athens, Programme Sparta and Programme Future IT, and their organisation. In this connection, the overall organisation of the bank is unchanged from the description in our report of 31 October 2021. However, the bank has formalised several units and set up new steering committees, just as additional resources have been added to the programmes to free up capacity with key persons and to support the work on analysing the increasing number of additional issues.

According to information received, the bank has had a programme office (PMO) for the debt collection case since November 2020. Since the report of 31 October 2021, the bank has also strengthened the organisation across the programme, for example by setting up a Global PMO (Global Project Management Office) to coordinate the bank's debt collection projects across countries and projects. The bank has prepared figure 1 below to illustrate the bank's current project organisation, including the new Global PMO unit.

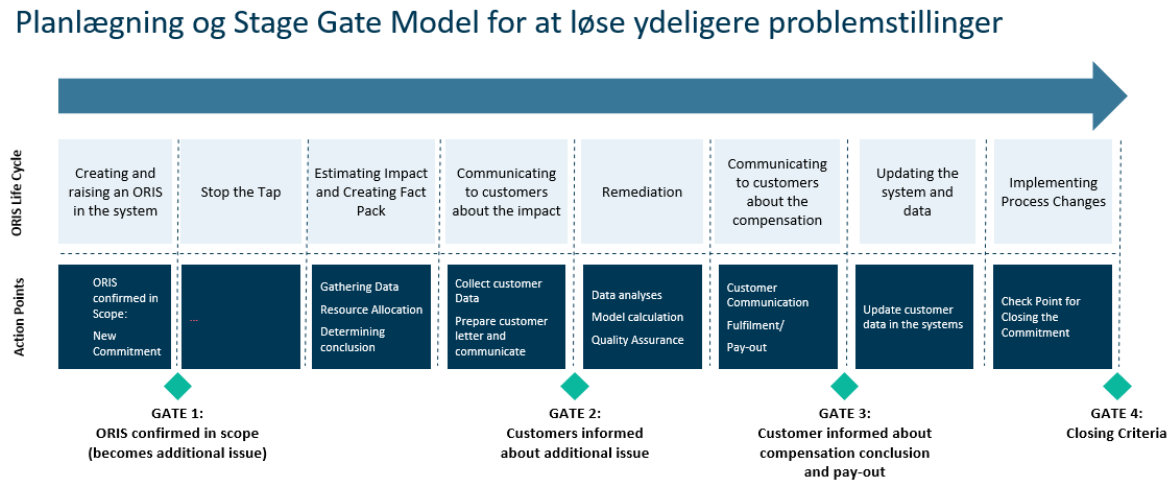
Figure 1 – Organisation 2022 (illustration received from the bank, May 2022)

The bank's organisation related to the debt collection issue has increased, and at mid-May 2022, it consisted of 300 employees (internal employees and external consultants), of whom 60, according to information received, are allocated to the bank's work on the establishment of forward-looking systems, processes and controls. Resources have been added to the project with the purpose, among other things, of improving joint project management, moving prioritisation and decision-making capabilities closer to the working groups, and of protecting and releasing the resources of the few key persons, who, as described in section 4.2 of our report of 31 October 2021, are crucial for progress in Programme Athens.

However, despite the inflow of employees since 2021, the bank still appears to be highly dependent on a few key persons who possess knowledge or skills that are essential to the project's progress. In this connection, the bank has informed us that it has chosen to focus on adjusting the workload of those key persons so that they can prioritise the work on remediating the debt collection issue, just as the bank has sought to address this challenge via, among other things, peer training and documentation of case processing and historical decisions in connection with interviews and workshops, etc. However, it has proved difficult to do this both efficiently and quickly and, according to the bank, the initiative therefore has not yet had the desired effect.

In addition, in Programme Athens, which still largely consists of a number of different sub-units each with their own responsibilities, the bank has chosen, with the addition of resources, to focus on the quality of its analyses, compensation payments, communication and the passing on of knowledge between the various sub-units and to the Global Project Management Office. This is done through the application of a Stage Gate Model in project management, see the figure below, which the bank has prepared and implemented at the end of 2021.

Figure 2 – The bank's Stage Gate Model (illustration received from the bank, May 2022)



The bank's Stage Gate Model aims to ensure that the additional issues are dealt with in phases, as each Gate marks a transition between these phases. In each of the four phases between the first and the fourth gate, work is undertaken in the respective teams and sub-units, and decisions are presented to the steering group, the Athens Council, and to the Debt Management Committee in connection with transition between the phases or in case of clarification requirements. The Stage Gate Model is thus a fixed part of overall project management and has been integrated into the so-called 'Factory Model', which was described in section 4.1.1 of our report of 31 October 2021.

In this connection, the bank gives priority to the additional issues, as the bank's analyses of these are planned on the basis of an assessment of the number of affected customers and compensation requirements. The bank therefore seeks to prioritise those issues that the bank considers to be most important to its customers.

In relation to the bank's specific Stage Gate Model, we note that the process in the final phase between Gates 3 and 4 (correction of data and implementation of new processes) is still awaiting a solution regarding the so-called write-back, see section 3.3.2 below for more details. Furthermore, we note that the bank's Stage Gate Model does not seem to consider relevant controls in the process.

As stated above, the bank's progress depends on a number of key persons who have critical knowledge of systems and data and are familiar with the history of the debt collection systems. These persons have competencies and experience that make it difficult to upscale through peer training, education, recruitment or external assistance, because their knowledge and skills are based on history and technical

knowledge of the various flawed systems and processes. These systems have been developed and updated over the course of many years as a result of increasing complexity in the bank's overall systems landscape and new legislation that has necessitated technical changes. In addition, the systems and the changes made to them are in some cases characterised by inadequate documentation, making it extremely difficult for external persons to identify, understand and correct the errors. This will thus require the building up of knowledge and insight into matters relating to historical decisions and previously existing business procedures at the bank and previously applicable legislation and systems.

Consequently, the bank's main initiatives so far have been to protect these persons and to organise the work in such a way that they can focus on the part of the solution that only they can handle. Just as key persons are currently a bottleneck in relation to making progress, they also constitute a risk to the future organisation. Thus, we believe that organisational measures are needed to mitigate this risk, which is currently a condition of the programme, including by continuing to focus on the dissemination of key knowledge to the rest of the programme.

Overall, we still believe that the bank's organisation and business procedures support stable progress with the work and high quality in the performance of the tasks that fall within the scope of the individual programmes. In general, we note that the bank still appears to have a comprehensive organisation that works purposefully and in a structured manner to comply with the orders issued to the bank by the Danish FSA. However, the inflow of resources to the project organisation should also be seen in light of the increasing number of additional issues, cf. section 9 below, and we believe that there is room for improvement, for example by centralising responsibilities to ensure more holistic processes and follow-up on the individual additional issues.

We also understand that for a period of time, the bank's work has been characterised by a lack of persons with analysis and data capabilities, just as a number of teams have had their work processes fully or partially blocked because of bottlenecks in the project's legal teams. In respect of the latter, we note that in relation to the bank's work on the additional issues, there is generally a significant risk of delay and insufficient analysis due to a lack of resources allocated in the bank's legal department to the programme. Several of the additional issues thus depend on legal interpretations, and in this connection we have observed that the legal analyses provided to us do not always seem to describe the investigations carried out by the bank and the assessments that have been decisive for the bank's conclusions. This does not necessarily mean that the bank has not made decisions on an adequate legal basis, but simply that – on the basis of the material provided to us – we cannot determine whether that is the case. For a number of the analyses we have reviewed, the legal conclusions are thus only briefly documented, which does not necessarily make it possible to make a real assessment of how the bank has reached its conclusions.

Given the complexity of several of the issues identified, there seems to be a need for the bank's lawyers in future to be more involved in the individual analysis teams and not only to be consulted in connection with specific questions.

In this context, it is particularly important that the legal department is presented with all relevant factual information about the issues, so that answers are given on an informed and specifically relevant basis. In some of the analyses presented to us, which have formed the basis for the bank's conclusions, we cannot determine whether the bank's legal department has provided answers on an adequate and sufficiently specific basis. This applies to additional issue no. 25, for example, in respect of which the bank's legal department states in its analysis of limitation-related issues that the answer is uncertain due to "*the limited information basis available*". In this connection, bringing the legal resources closer to the individual analysis teams would probably help to reduce the risk of responses from the legal department being applied incorrectly or too broadly, or of questions to the legal department being answered on the basis of erroneous or incomplete preconditions or assumptions.

As stated above, the programme has faced challenges since 31 October 2021 due to the lack of resources for legal clarification. We can see from the minutes of meetings that the Athens Council has discussed problems with the adequacy of the allocated legal resources at meetings held on 20 January 2022, 1 February 2022, 22 February 2022 and 8 March 2022. The Debt Management Committee has also discussed this problem at meetings held on 24 January 2022, 11 February 2022, 4 March 2022 and 22 April 2022. The minutes of the meeting of the Debt Management Committee held on 22 April 2022 show that the bank continues to work on adding capacity. The bank has informed us that in addition to a number of fully allocated annual FTEs in the legal department, several legally trained persons are working in the programme, including a number of external consultants. At the end of 2021 and at the beginning of 2022 in particular, the bank has also used external legal advisers to help counter bottlenecks in the programme as a result of a lack of resources in the legal department.

3.1.2 The bank's measures to ensure a more holistic approach

The bank's work on the additional issues is carried out in parallel analysis teams organised around the individual issues. In this connection, the bank's analysis teams work in parallel with the initial analyses of the additional issues, see section 9 below, and the work in these teams is described by the bank as an iterative process involving several different areas of the organisation. These include the collection department, the legal and compliance departments, a data capture unit and any external advisers, depending on the nature and extent of the individual issue.

As pointed out in section 3.2.1 of our report of 31 October 2021, the process of parallel analysing by several teams involves a risk of the work becoming too siloed, including that, as a result, the bank fails to identify

issues and errors that fall in the borderland between the work performed by the various teams. Furthermore, the sequential approach to the analysis work entails a risk that in connection with work on an additional issue, the bank overlooks the fact that the error now identified causes justified doubt about the conclusion reached by the bank in previously completed analyses.

Since 31 October 2021, the bank has explained to us that it is seeking to address these risks, including by ensuring a higher degree of cross-issue anchoring of the individual issues with programme management, and by ensuring better and more frequent communication between the respective analysis teams, see also immediately below.

Following the preparation of our report of 31 October 2021, including in connection with our investigations of the work subsequently carried out by the bank, we have found that the bank has taken a number of steps to ensure a more holistic analysis approach, particularly in areas in which there is a real risk of errors being interrelated.

Despite the fact that the bank has implemented organisational measures to strengthen its work across the project, we believe that the work on the individual additional issues can still be strengthened. We have thus observed examples of areas in which a holistic approach to the work on the additional issues could be useful. This could be in the form of a subject-based approach to the analysis work that, in our opinion, could better take into account the correlation between the additional issues.

In this connection, however, the bank has stated that it is working towards a more holistic approach. The bank is thus seen to have initiated cross-issue analyses with a view to adopting a subject-based approach in relation to set-off and issues relating to interest payments, which in our opinion should be seen as a relevant measure to ensure a uniform approach across issues and subjects. In this connection, reference is made to section 7 on cross-issue themes.

3.2 The bank's governance regarding the impartial investigation

In connection with our report of 31 October 2021, we found that the exchange of information in connection with our requests for information was in all material respects in writing, as it would generally take up to six weeks from our submitting a request for information to receiving the bank's response. In the event of errors or misunderstandings, a revised enquiry was typically submitted, with the same processing period. This slow process made the cooperation very time-consuming, and this was regularly brought to the attention of the bank.

Since our report of 31 October 2021, we have been working with the bank to improve the process of exchanging information in connection with our enquiries, including by introducing a fixed format for enquiries and ensuring better ongoing follow-up on individual queries and the bank's reply to them. Since our report of 31 October 2021, we have thus been working with the bank to improve the process of exchanging information in connection with our enquiries, including by introducing a fixed format for enquiries and ensuring better ongoing follow-up on individual queries and the bank's reply to them. Since December 2021, the process has included a new governance structure with a fixed meeting structure, where we have met with the bank to clarify questions and ambiguities, exchange documentation and draft report sections, so that both the bank and we have been able to work as efficiently as possible. Overall, we believe that the new governance structure has made the collaboration between us and the bank more efficient and that the basis for conducting the impartial investigation, see also the order of the Danish FSA of 3 December 2021, has thus improved.

In this connection, our enquiries continue to undergo quality assurance at the bank before we receive replies via the bank's virtual data room. The process entails a high degree of certainty that the replies we receive have been approved by the relevant specialists at the bank. On the other hand, the process continues to mean that it often takes a long time (sometimes up to one month and up to as much as four months for a few questions) from the time we request the information to the time we receive it in the form of a written reply.

As a supplement to the written exchange of information, however, under the new governance structure, we have agreed to have regular meetings (touch points) at which we have been able to seek clarification of urgent questions, with subsequent submission of written documentation after the above-mentioned quality assurance by the bank. In our opinion, the changed governance setup at the bank for the impartial investigation has been positive and has contributed to more efficient cooperation and a more ongoing exchange of information. In some areas, however, there have been still very long response times, cf. above, as it has not been possible to resolve all questions at meetings.

3.3 The bank's timetable for further work

As stated in our report of 31 October 2021, we believed that the bank's work to compensate customers and remediate debt collection for all additional issues could extend into 2023. However, at the time, many factors were still unresolved, meaning that an overall timetable was still subject to considerable uncertainty.

As described in our report of 31 October 2021, the debt collection issue is complex, and in addition, the bank's approach to the project has to some extent been characterised by a lack of holistic orientation.

These factors have contributed to the bank identifying new issues on several occasions, with the result that the scope of the project has had to be expanded and the timetables adjusted.

At present, we have not received an overall timetable from the bank that clearly describes the expected time horizon for the programme and expected milestones in this connection, including when the bank expects to have completed its analyses and compensated customers in relation to all additional issues, when data is expected to be corrected in the collection systems and when new business processes and adjusted IT systems are expected to be up and running.

On 27 April 2022, the bank published a press release stating the following:

"*The identification of additional issues inevitably extends the timeline for finalising the remediation efforts and the bank therefore sees a considerable risk of further delays beyond the original deadline of 2023. It is currently the assessment that with the new issues identified, customers would not get clarification before the end of 2024, and with a risk of this work extending into 2025, if further issues are identified. This is unsatisfactory for our customers and the regulator*."

As stated above, the bank does thus not currently expect to be able to complete its work on restoring debt collection and compensating its customers until the end of 2024, and with the risk of delays into 2025 if additional issues are identified. In this connection, we note that, according to information received since 27 April 2022, at least one additional issue has been identified.

At meetings held with us, the bank has explained that it does not apply a detailed long-term timetable for the work, as such a timetable would have to be adjusted on an ongoing basis to reflect the project's resources and progress as well as any new issues identified. According to the bank, there are several reasons why a detailed long-term plan is not applied. This is due in particular to the following:

- The bank has not yet completed the analyses of the debt collection case and the scope of the cases continues to change. Since our report of 31 October 2021, 12 additional issues and several sub-issues have thus been identified and will have to be addressed by the bank.

- Uncertainty and the risk of changes make it difficult for the bank to draw up a long-term, detailed plan, and the work is therefore planned in stages of each six months. In addition, work is being done in parallel to identify alternative approaches in order to speed up the closing of the case (see section 3.3.1 below).

- The bank's original plan was based on the assumption that the current debt collection systems could be updated and improved, but issues subsequently identified have created uncertainty about the core functionality of the DCS, and alternatives may therefore be necessary.

However, the bank has informed us that it does not consider it acceptable that the bank's customers cannot be certain that they will receive compensation for any overcollection until in 2024 or 2025, and that the bank does not consider it acceptable that it will not be able to inform its customers until that time how any outstanding debt is to be calculated accurately. The bank has further informed us that it is therefore working on alternative solutions to ensure that collection customers have earlier clarification of their case. We have not yet gained any insight into these plans. However, the bank has stated that it expects to be able to inform both the Danish FSA and us about this in the summer of 2022.

In this connection, we have briefly described the bank's planning methodology as presented to us.

3.3.1 Planning methodology

According to information received, the bank's overall planning methodology is based on the preparation of stages, which are planned and executed in six-month intervals.

The project management sets out some general objectives for the upcoming period, which are approved by the bank's management. The workflows in the project organisation then draw up more detailed plans on the basis of an assessment of how many additional issues they plan to solve during the coming stage. The detailed plans are coordinated across the programme with the assistance of the Global Project Management Office and with joint participation of the various workflows. The purpose of this activity is to identify dependencies within or outside the programme and to identify bottlenecks in relation, for example, to key persons needed to address various additional issues, such as resources from the legal department.

Once the detailed plans of the various workflows have been aligned, the Project Management Office assists in aggregating the plans into a single stage plan for the coming six months. Work on planning a future stage typically begins three to four months before the period begins.

The bank is thus currently in the process of detailed planning for the next stage, which is the fourth quarter of 2022 and the first quarter of 2023. However, there is no overall timetable and final date for the bank's work on customer compensation, correction of data and a restart of debt collection.

The bank's approach to planning means that it is not currently possible to obtain insight into or verify an overall and long-term timetable, and the overall target for the bank's work is still being clarified. As a

result, it is not possible for us, in collaboration with the bank, to prepare a detailed and realistic timetable with specific milestones that can be used for reporting progress to the Danish FSA, as requested in the FSA's order of 3 December 2021 (see section 1.1.2 above). Thus, the bank has not applied detailed long-term timetables for its work, and it has been difficult for us to ascertain that the more long-term timetables actually applied by the bank were realistic.

In this connection, we note that the bank has proven too optimistic in its planning on an ongoing basis when comparing plans with actual achievements in the planned stages. For example, at the beginning of May, the bank finished compensation payments only in relation to two of the additional issues that were scheduled to be closed by 2 May 2022, while the bank's timetable for the period in question was based on the assumption that payments would be completed for a further three issues. In addition to the adding of more project management resources, the bank is working to strengthen planning with the integration of measurement and reporting tools. When these tools are in place, the bank expects to have better possibilities of measuring and reporting on, among other things, the efficiency of the work and the degree of (un)predictability of estimation and planning, which will strengthen the basis for decisions in the programme.

The biggest challenge for the bank's timetables still seems to be the ongoing identification of new additional issues. At present, we believe that the final objective may continue to move faster than the programme's progress until a higher degree of certainty has been reached that the bank has identified all material errors and deviations.

3.3.2 The bank's plan for correction of data ("write-back")

As described in sections 3.5.1 and 7.7 of our report of 31 October 2021, and as mentioned in a number of places in this report, the bank has not yet corrected data in its debt collection systems and other relevant systems in connection with the calculation of customers' compensation claims resulting from the four root causes. Moreover, the bank has generally not corrected data in the debt collection systems in connection with disbursement of compensation for the additional issues but for some of these issues, the compensation is booked as a 'payment' on or 'correction' of the customer's outstanding debt, if any, in the case affected by the issue (see for example section 9.4.10 below on estate agent fees for the home estate agent chain).

The lack of correction of data means that a number of customers are still registered with a debt, even though the bank's compensation models have shown that the customers have made a net overpayment to the bank. As stated in section 9.4.11, we believe that the bank should ensure that the customer's debt is reset in the system as soon as possible and that a correct report is made to the tax authorities. In this

connection, we also refer to the order issued by the Danish FSA on 25 April 2022 (see section 1.1.3), which instructs the bank to make this correction.

The failure to correct data also means that a large number of the bank's customers are still registered in the bank's systems with a debt that has been incorrectly calculated. According to information received, the bank's approach, according to which correction has not yet been made (the so-called 'write-back'), is based on a number of factors that mean that data correction cannot just be carried out at the same time as the bank calculates compensation for customers (see immediately below).

Firstly, the bank has not yet corrected data because, as stated in section 9.4, the bank is working on a large number of additional issues, of which many may give rise to corrections in the outstanding debt of individual customers. The bank's work follows the procedure that a number of analysis teams solve the issues listed one at a time, but so that the bank does not have the capacity to process and handle all the issues at the same time. This means that the bank has currently identified issues that are very likely to affect the outstanding debt for a number of customers, but the bank is not yet able to calculate the exact impact on the individual customer. The corrections necessary to correct outstanding debt balances in the systems include, for example, the deletion of wrongfully charged fees, the correction of costs and the correction of interest calculations in relation to the other corrections. As stated above in section 3.3, the scope of the identified issues is so significant that, with its current approach, the bank does not expect to have completed the remediation work until the end of 2024 or perhaps in 2025.

As is shown below in section 7.1 on interest-related issues, both the four root causes and a large number of the additional issues affect the basis for the calculation of interest that has taken place in individual customer cases. This means that there can be errors in the interest rate, the interest addition method and the basis for calculating interest (i.e. the amount on the basis of which interest is calculated).

The sequential approach to the bank's handling of the additional issues involves both advantages and disadvantages. On the one hand, this will solve all issues at the same time and overall make it easier to create an overview and a final calculation for each individual customer, so that the remediation process for the customer can be completed in one business process. On the other hand, the scope of the errors and issues identified means that the bank will not be able to pay out compensation to customers who have overpaid (i.e. have paid more than what they owed) until the end of the entire remediation project. In this connection, the bank has prioritised making compensation payments to customers who have overpaid as soon as possible. This means, however, that customers may receive compensation more than once, and that the outstanding debt of each customer may need to be corrected several (potentially many) times during the remediation project as the bank analyses and handles the additional issues.

Recalculation of a customer's case following transaction history corrections will always be a highly complex process. One consequence of the bank's sequential approach is that data correction in customer cases cannot simply take place on an ongoing basis without the risk of additional complexity and errors. The increased complexity can be described with the following illustrative example:

If, for example, in connection with the handling of an additional issue, the bank removes two fees charged to and paid by a customer in 2009 and 2013, respectively, this means that the amounts paid in cover of these fees must be reallocated so that they (with the original value date) are instead considered to have covered another part of the customer's legally enforceable debt. This reallocation may change the basis for interest calculation in the case and may potentially lead to a need to reallocate later payments made, for example, in connection with the customer's payments under a repayment agreement. For example, a payment of DKK 100 originally applied by the bank to cover a fee that has now been deleted now covers for example part of the principal and perhaps an interest-bearing interest debt. The payments which (later) had covered this part of the principal and the interest debt must therefore also be reallocated (with the correct value date), as the reallocation of the DKK 100 means that the subsequent payments cannot also cover the amount that the DKK 100 now covers and so on. It will be very complicated if the bank makes a recalculation as described above on an ongoing basis.

Furthermore, the complexity increases if a recalculation may have to be redone later because a later analysis finds that other errors also require correction of transactions and that these errors occurred earlier than those already corrected by the bank. For example, there is a risk that the bank makes a recalculation as a result of the deletion of a fee from 2014, and that the bank will subsequently find that a cost booked in 2011 should be written down to half the amount. The bank may also, after recalculation for both of these corrections, find that, for a period from 2010 to 2012, the bank has charged interest at the wrong rate in the customer's case.

In relation to the above, we understand that the bank basically considers it risky to carry out recalculations/corrections of data on an ongoing basis, even if this means that customers who are not deemed to have overpaid, but whose outstanding debt is to be adjusted, cannot get information about the correct outstanding debt until the correction has been made. As described below, the bank is developing a tool that can be used by the bank to ensure that these customers can instead receive information about their 'estimated' outstanding debt within a reasonable period of time. We have no insight into the bank's timetable for implementation of that tool.

Secondly, we note that the bank has not yet corrected data because the bank, in relation to the four root causes, has focused on disbursement of compensation to all affected customers in accordance with the principles described in section 7.2 of our report of 31 December 2021, including that the bank generally disregards when an error has occurred. This means that in some of its compensation models, the bank

calculates compensation on the basis of incomplete data, for example because the transaction history is not available for periods far back in time. The bank must therefore base the compensation calculation on a number of more or less well-founded assumptions in lieu of the exact data.

If the data is incomplete, the compensation models cannot necessarily be used for a mathematical recalculation of individual customer cases, and for a number of cases, it is given that such actual recalculation will not be possible. A correction of data must therefore be made in another way, either by an estimated write-down of the outstanding debt with the value date set as today without an actual recalculation, or by developing models that can approximate a recalculation without being exact, see immediately below.

In relation to the latter possibility, we note that in cases for which data are incomplete, the bank's compensation models often rely on a number of assumptions or estimates. These assumptions may be based, for example, on spot checks and statistical calculations, and will, as described in section 3.4 of our report of 31 October 2021, often be based on estimates that the bank considers to be to the customer's advantage. However, this also means that it cannot always be ruled out that the estimate for a few customers (often actual outliers) is not so advantageous that it leads to full compensation. However, in relation to correction of data in cases in which the bank still has a claim against the customer, the bank must be able to document how the claim has been calculated, what it consists of, and that the entire amount is legally enforceable. In this connection, the bank has itself concluded that the models used to calculate estimated compensation for overcollection are not always suited as the basis for data corrections for customers with outstanding debt.

In this connection, an approach to data corrections in cases in which data is incomplete is difficult to develop before the total scope of issues that have affected a customer's case is known and processed. For example, for some customers, it may turn out that the errors in two of five issues that have affected a customer's case can be corrected 'mathematically' because data allows a recalculation, while the remaining three issues prove to be so far back in time that the data needed for an exact correction is not available.

According to our understanding of the bank's statements, the bank has taken the overall view that, due to the above factors, it is not possible to develop a model for correcting the outstanding debt until the bank has a higher degree of certainty that all additional issues have been identified and has better insight into how the issues affect individual customer cases. For the individual customer, this means that the bank will only later in the remediation project be able to inform the customer of the customer's precise outstanding debt, and that the bank will continue to make erroneous reporting of the debt to the tax authorities. It should be noted, however, that the interest addition for all customers is currently suspended in connection with the Pause logic implemented by the bank, which also means that customers are encouraged not to repay debt.

On 25 April 2022, the Danish FSA issued an order to the bank, which requires the bank to be able to provide information on the estimated outstanding debt to individual customers on request within a reasonable time. In this connection, as described in section 7.2.2, the bank has started work that includes the development of a database alongside the bank's systems. This database is partly to support the work on continued calculation of compensation for any overcollection, partly to enable the required estimation of outstanding debt amounts. In this connection, the outstanding debt of a customer must be estimated with the degree of accuracy that can be achieved on the basis of the bank's knowledge of errors in a customer's case at any time.

According to our understanding of the bank's plans, the database is intended, for example, to contain information about this as soon as the bank can determine, with a reasonable degree of certainty, that a customer's case is affected by a given additional issue. In this connection, the bank will be able, for example on the basis of the preliminary analyses of the issue, to determine whether the issue gives rise to an adjustment of the outstanding debt and perhaps how large such an adjustment is expected to be for the average customer. This information can then be used to respond to requests from customers who wish to receive an estimate of their outstanding debt. Reference is also made to section 4.4.3, which deals with the bank's considerations about a so-called 'cap' solution for customers who, despite the Pause logic, still want to make repayments on their debt or who contact us because they have the opportunity to repay the debt in full.

We have not yet been presented with more detailed plans for the development of the database mentioned above, and the work on its development is, as we understand it, still in an initial phase.

4. PREVENTIVE MEASURES

4.1 Preventive measures

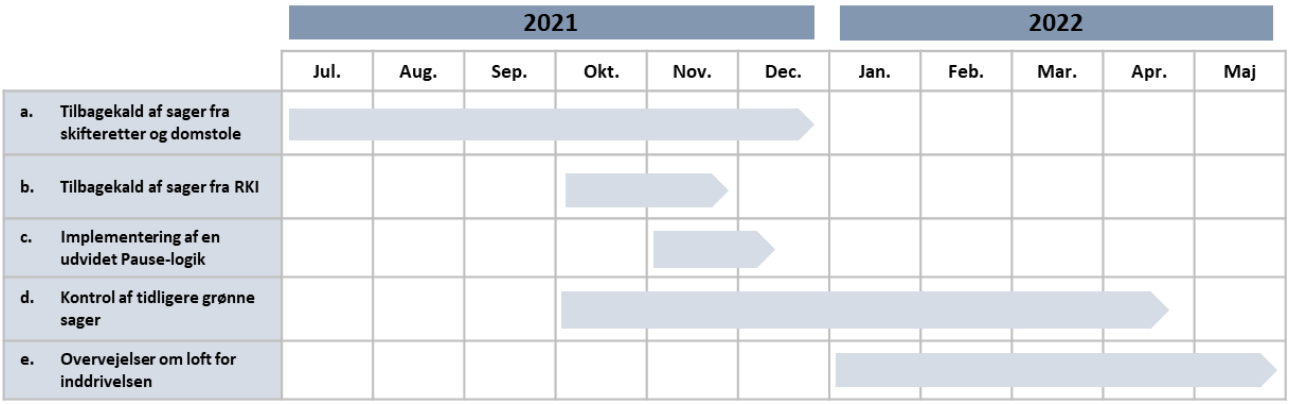
In order to prevent wrongful debt collection of the bank's customers as a result of the errors found in the bank's debt collection systems, there is a need, as described in section 6.1 of our report of 31 October 2021, to implement measures to take account of a number of circumstances, including addition of interest, payment arrangements, court cases (including enforcement proceedings) and administration of the estate and cases outsourced to external debt collection agencies.

In this connection, since June 2019, the bank has regularly implemented a number of measures and controls to counter the risk that the four root causes and the additional issues that have been identified on an ongoing basis would lead to (additional) overcharging and wrongful debt collection.

Since our report of 31 October 2021, the bank has implemented certain additional preventive measures, including as a result of the many additional issues (see section 9).

The bank's overall initiatives related to preventive measures for the period October 2021 and up to the date of this report can be summarised in the following figure, which has been prepared on the basis of information from the bank. In this connection, the figure illustrates the bank's work on the respective measures and the periods during which the work was completed.

Figure 3 – initiatives related to preventive measures (prepared on the basis of information from the bank)



a. Withdrawal of cases from bankruptcy/probate courts – second half 2021

According to the bank's decisions in May and September 2021, the bank has withdrawn all claims submitted by the bank in bankruptcy/probate cases and the bank regularly withdraws cases where the bank's claims are automatically included on the basis of public registers and the like (e.g. the land register).

The bank has not yet taken a decision on the handling of claims in cases where the claim has been withdrawn or not submitted in a bankruptcy/probate case, including in relation to guarantors and co-debtors. This is handled by the bank as part of additional issue no. 1.

According to information received, since the summer of 2021, the bank has submitted claims created in the debt collection systems only when they are handled by the bank's Insolvency Department. This department handles a small number of cases that typically concern large receivables. When the Insolvency Department submits claims, it does so in accordance with a process in which the bank waives a proportion of the registered debt to allow for any doubt in this respect. In the bank's other debt collection cases, only one claim has been submitted in connection with a reconstruction case.

The bank has also withdrawn pending cases from the courts. However, according to information received, the bank has maintained seven cases on the basis of a specific and individual assessment. In four of the cases, an order had already been issued, and in the last three cases, the case is of fundamental value or was appealed at the initiative of the opposing party. On 24 May 2022, the bank informed the Danish FSA that six of these cases had now been closed and that, therefore, only one open case was pending, which was appealed at the initiative of the opposing party.

b. Withdrawal of RKI cases – November 2021

As described in our report of 31 October 2021, on 22 October 2021, the bank decided to withdraw the registration of all customers from RKI where the bank could not rule out the risk of errors. As stated below, this took place in November 2021 (see section 9.4.4).

The bank has further stated that it will not make new registrations of customers with RKI until it has ensured that its registered information about customer debt is correct, i.e. after the bank's total correction of data in its debt collection systems ("write-back"). In this connection, the bank has stated that it has removed employees' access to registering customers with RKI, which means that it is not possible for the bank's employees to register customers with RKI.

c. Implementation of extended Pause logic – December 2021

At the end of 2021, the bank implemented an extended Pause logic in both the DCS and the DF system, whereby all payment agreements have been stopped, unless the customer has informed the bank that the customer wants to continue paying. The logic has thus been extended so that the suspension does not depend on whether the customer has paid a large or small share of the registered outstanding debt.

In connection with the introduction of the extended Pause logic in December 2021, the bank sent letters to customers informing them about the suspension of payment agreements if they had not already actively opted to continue repaying despite the risk involved.

In addition, the bank has prepared a guide for the customer advisers in cases where customers contact the bank with a wish to resume repayment of their debt.
Finally, the bank has implemented controls that, every month and across accounts and cases, check that all interest accrual has been suspended for cases in the debt collection systems.

d. Check of cases previously flagged as green – first quarter 2022

The bank has informed us that the cases previously flagged as green were checked in the last quarter of 2021, as these cases were checked via the bank's data models, which are used to examine the question of compensation requirements in regard to the four root causes. The check was

made because, as described in our report of 31 October 2021, not insignificant error percentages had been identified in connection with the bank's own spot checks.

In this connection, the bank has identified 54 customers who, according to the models, must be compensated for the four root causes. According to information received, the bank expects to pay out the calculated compensation to the 54 customers on 19 May 2022.

e. **Considerations about a debt collection cap – May 2022**
Since our report of 31 October 2021, the bank has considered implementing a so-called cap solution (a limit on what can be paid by customers who choose to continue repaying their debt to the bank) to reduce the risk that there will be a need for compensation again at a later date for customers who have chosen to continue to repay their debt. However, a final decision has not yet been made, and the bank is still considering several solution models. The bank has stated that a proposal for a decision will be presented to the bank's decision-making bodies at the beginning of June 2022.

In addition, the bank has rejected composition agreements with its customers for a period of time due to the challenges involved in calculating a customer's debt. According to information received, the measure in question has, however, been limited to the period from June 2021 up to and including 1 December 2021, and the bank has subsequently implemented processes for handling requests for composition (see section 4.4.2.3).

On the basis of the preventive measures implemented by the bank, including the measures listed above, we believe that the measures constitute a significant safeguard against the risk of overcollection of the bank's customers in the debt collection systems. However, as described below in section 4.2.3, the outstanding debt registered for customers in the bank's debt collection systems may still be affected by both the four root causes and a number of additional issues, which may result in the outstanding debt being too high. In this connection, the bank does not at present seem to have established a process for when and how the question of overcollection is investigated and handled in cases where the customer voluntarily continues to repay.

As mentioned above, the bank is considering introducing a cap on the customers' debt repayments in order to avoid the risk of overcollection of customers who continue to repay. The bank's considerations in this respect are, however, of a very provisional and preliminary nature, and we cannot at this stage comment on the effect of this or the consequences for the individual customer.
The current lack of a process for when and how to investigate and handle the matter of overcollection may have inexpedient results for the bank's customers. Consequently, it is not currently possible for the bank's debt collection customers to settle their entire debt registered with the bank without the risk of

excess payment due to the many additional issues in the bank's debt collection systems. For customers who otherwise need to document that they do not (any longer) have debt to the bank, for example in connection with raising loans with another bank, this may be unreasonable. In general, therefore, a solution needs to be established can accommodate the risk in relation to customers who can and wish to repay their debt in full.

We also note that the lack of correction of data ("write-back") entails a risk of errors in the bank's reporting to the tax authorities, both for customers whose outstanding debt is higher than the actual debt to the bank and for customers where the bank's compensation models have shown that the debt has been repaid and that the account must thus be closed. In this connection, we note that, on 25 April 2022, the Danish FSA ordered the bank to take the necessary measures to ensure correct tax reporting and to inform customers where this is not possible (see section 1.1.3). Reference is also made to section 9.4.11 on additional issue no. 11 concerning the bank's tax reporting.

The above measures and considerations, as well as our observations and follow-up points from the last report, are described in the following sections. For further information about the bank's communication to customers, reference is made to section 5.

4.2 Suspension of payment agreements and interest accrual (Pause logic)

As described in our report of 31 October 2021, at the end of September 2020, the bank implemented what it referred to as the Pause logic to comply with an order from the Danish FSA of 21 September 2020. The bank was thus ordered to stop collecting debt for all existing customers in the bank's debt collection department at no cost to the customer, unless there was an insignificant risk of overcollection.

In general, the bank's Pause logic involves two measures: i) automatic suspension of payment agreements in the bank's debt collection systems for cases where, in the bank's opinion, there is a not insignificant risk of overcollection, and ii) suspension of interest accrual in all open debt collection system cases.

The original Pause logic for suspension was based on a risk assessment carried out by the bank, on the basis of which the bank had set a repayment rate threshold of 60%. This meant that the automatic suspension took place only in cases where the customer had repaid at least 60% of the initial debt collection system opening balance. Thus, the other customers, especially customers with a repayment rate of less than 60%, were not originally covered by the automatic suspension, although they were informed by letter of the risk of errors in the bank's debt collection systems and were offered to suspend their repayment at no additional cost to the customers. It should be noted that, due to the earlier distinction between red and green cases, there is a difference between when the customer has received this information with the offer

to suspend repayments. In regard to the red cases, the letters were sent in connection with the implementation of the original Pause logic in October 2020, while the customers in the cases previously flagged as green received a letter during the summer and autumn of 2021.

In our report of 31 October 2021, we noted that the bank had not documented to us that the customer population in the DCS and the DF system had so similar characteristics that the bank's investigation of a customer population in the DCS was suitable to form the basis for a risk assessment regarding questions about wrongful debt collection of customers in the DF system. We also noted that the 60% threshold for root causes 3 and 4 would not protect the customer against overcollection if the debt had already been paid by a co-debtor, which the bank had agreed to on request

We noted that, on 15 October 2021, the bank had decided to extend the Pause logic. On 28 October 2021, the bank also informed us of the challenges involved in the technical implementation of interest accrual suspension in the DF system, which led to uncertainty about the risk to the customers in question. The following sections contain a follow-up on these matters (sections 4.2.1 and 4.2.2) and a description of the bank's considerations about a cap on customer repayments and the significance thereof (section 4.2.3).

4.2.1 Extended Pause logic

As the risk of overcollection of customers with a repayment rate of less than 60% could not be ruled out in all cases, as mentioned, the bank decided on 15 October 2021 to change the Pause logic. The bank stated that all payment agreements would automatically be suspended regardless of the volume of previous payments made by the individual customer if the customer had not already indicated or subsequently actively indicated that the customer wanted to continue paying despite the risk involved.

The bank has subsequently confirmed that what was referred to as the "extended Pause logic" was implemented in both debt collection systems (the DCS and the DF) in November 2021 (week 45) by introducing a block on active debt collection accounts, cancelling automatic payment agreements and subsequently stopping any account-to-account transfers. According to the bank, the objective was that the extended Pause logic should be fully implemented as from 1 December 2021, which it was, according to information received.

The bank has also stated that new customer letters have been sent in connection with the measure. This means that all actively paying customers who have repaid less than 60% of their debt have received information from the bank that their payment agreements have been suspended because of the risk of errors and that they can contact the bank if they wish to continue making payments. According to information received, the letters were sent to customers in December 2021.

Since customers who had repaid more than 60% of their debt were already covered by the existing Pause logic, these customers could, at the time of implementation of the new Pause logic, only be actively paying if they had already contacted the bank with a wish to continue paying despite information about the existing risk of overcollection. Thus, even before the extension of the Pause logic, this customer segment had indicated that it was aware of the risk and that it wanted to continue paying. As a result, these customers' payments were not suspended (again) in connection with the implementation of the most recent measure. However, in connection with the extension of the Pause logic, customers were again informed of the possibility of suspending payments (see section 4.2.1.1 below on customer letters which also include these customers).

The extended Pause logic is thus seen to specifically target the actively paying customers who have repaid less than 60% of their debt. These customers' payment agreements have now been suspended, but the customers may continue paying if they actively respond and make a request to continue paying.

As stated in our report of 31 October 2021, we believe that the risk of overcollection of the customers concerned must be considered insignificant, as the bank's decision has been implemented as described. According to information received in December 2021, the bank observed a significant reduction in the number of actively paying customers. Between November and December, the number fell from 4,578 to 1,581 customers in the DCS and from 1,919 to 597 customers in the DF system, i.e. a total reduction from 6,497 to 2,178 customers. The bank states that the measure has thus had a documented effect. In April 2022, the bank informed the Danish FSA that, in connection with subsequent checking, it has identified that the total number of customers actively repaying is now significantly lower than the approximately 2,200 customers.

4.2.1.1 Letters sent to customers in connection with extended Pause logic

In connection with the automatic suspension of the active payment agreements, the customers covered by the agreements have been informed of this by individual letter.

From the bank, we have received examples of the letter templates used to inform customers. In the letters, the customers were informed that the investigation of the debt collection case is still ongoing, that a number of new issues have been identified and that the repayment of the debt has been suspended until the customer's case has been reviewed. The bank has encouraged customers to change their preliminary income assessment, as the suspension of payments may affect the customer's tax relief on interest according to the bank. Customers have also been informed that the customer may continue repaying debt but should be aware that there is a risk that the customer may pay too much in that case. Finally, the bank has informed customers that any voluntary overcollection will be repaid later.

When the extended Pause logic was implemented, letters were also prepared for the maintenance of the measure, which meant that new customers in the system would also receive a letter with a content similar to the above. Customers are generally informed that all repayment agreements have been suspended and that the customers may contact the bank if they wish to continue/initiate payments.

Although customers who have repaid more than 60% of their debt are not directly affected by the extended suspension of payment agreements, they have nevertheless received a letter in connection with the implementation of the measure. In this letter, the bank informed customers that a number of new issues had been identified in the debt collection systems, and the customers were reminded that they could always suspend payments and that no interest would accrue on the debt.

The letters in question were sent to personal customers on 5 December 2021 and on 14 December 2021 to customers with debt relief cases and Danske Prioritet Plus customers. The bank has stated that letters must continue to be sent to open bankruptcy estates and estates of deceased persons, which the bank expects to do in June and July 2022. The purpose of these letters is to inform the bankruptcy estates or estates of deceased persons that the bank has errors in the system and to offer increased insight into how the bank handles its claims against the estates. The bank has stated that a stop on interest accrual and blocking of accounts will have been implemented in connection with the debtor's bankruptcy or death, and that this will therefore not constitute new information to the estate.

An attempt to illustrate the bank's communication to customers in connection with the implementation of the Pause logic in October 2020 as well as in connection with the red flagging of all cases in June 2021 and the extension of the logic in November 2021 is made in the table below.

Figure 4 –The bank's communication to customers covered by the bank's Pause logic (illustrated on the basis of information from the bank)

	October 2020 Pause 1	June 2021 Pause 2	November 2021 Pause 3
General	All customers are informed of the risk of errors	All green customers are flagged as red and informed again of the risk of errors, this time also because additional issues have been identified	All payments will be suspended if the customer does not indicate or has previously indicated a wish to continue payments

> 60%	For red cases: The customer is informed that **payments are suspended**, the customer may contact the bank with a wish to continue payments	The customer is informed that **payments are suspended**, that the customer may contact the bank with a wish to continue payments	The customer is informed that the customer may contact the bank with a wish to suspend payments
<60%	For red cases: The customer is informed that the customer may contact the bank if the customer wishes that the bank suspends payments	The customer is informed that the customer may contact the bank if the customer wishes that the bank suspends payments	The customer is informed that **payments are suspended** and that the customer may contact the bank if the customer wishes to continue payments

The bank has stated that, when the measure was implemented, instructions were issued to the bank's Debt Management to meet the objective of the measure. We have received a copy of the instructions containing a review of the Pause logic measure principles and related explanatory examples. In addition, the instructions contain a guide for various scenarios that may arise in connection with customers contacting the bank with a wish to start or stop payments. Regardless of the amount of the customer's previous payments, the customer must, according to the guidelines, first and foremost be informed that there may be a risk of overcollection if the customer wants to continue payments and that the bank will subsequently repay and compensate the customer if this proves to be the case. According to the instructions, this information is also provided to "new customers" who, after implementation of the extended Pause logic, have been or will be transferred in the debt collection systems if they wish to repay their debt.

With these instructions, we believe that customers are adequately informed of the risk of continuing their payments.

The extended Pause logic, implemented and supported by the bank's communication to customers, is regarded overall to constitute as a significant safeguard against wrongful debt collection of customers registered in the bank's debt collection systems.

4.2.2 Suspension of interest accrual in debt collection cases

In addition to the now extended suspension of payment agreements, the bank's Pause logic also consists of a suspension of interest accrual in debt collection cases. As described in our report of 31 October 2021, the bank has therefore, with effect from October 2020, suspended interest accrual in all cases in the debt

collection systems, including cases where an attempt has been made to correct errors (the cases previously flagged as green).

For the purposes of this report, the bank has confirmed that the same principle of an interest rate of 0% applies to all customers in the debt collection systems. The bank has also confirmed that this principle will apply until data has been corrected in the debt collection systems ("write-back") or until there is confirmation that the cases have been created without errors in the systems.

In our report of 31 October 2021, we noted that the bank had informed us of the challenges involved in the technical implementation of interest accrual suspension in the DF system, but it could not be established whether there was a real risk that interest had accrued in cases in the DF system. When asked about this, the bank informed us that the interest calculation in the DF system takes place on an individual contractual basis, and systematic/automatic interest accrual suspension has therefore not been implemented across the DF. However, the bank has confirmed that all customers in the DF system from January 2022 have manually had the interest rate set at 0%. It is also part of the ongoing monitoring and maintenance of the Pause logic that, for all cases in the debt collection system, an interest rate of 0% applies, and new customers in the debt collection systems are therefore covered by the principle, regardless of whether or not a payment agreement has been concluded. Finally, the bank has stated that it is working on the implementation of a control function to investigate whether and ensure that all customers have had the interest rate set at 0% (such control function already exists for the DCS). According to information received, the control is expected to be fully implemented by the end of April 2022.

As described in our report of 31 October 2021, some customers have been subject to interest accrual since October 2020 due to the earlier distinction between the so-called green and red cases. For the purposes of this report, the bank has stated that it has been decided for these customers that any payments to cover interest accrued since October 2020 will be compensated – either by offsetting any outstanding debt or by making payments in the event of actual overcollection. For a more detailed description, reference is made to the section on the cases previously flagged as green (see section 4.3).

On balance, the bank thus currently seems in both the DCS and the DF to have ensured that the current suspension of debt collection takes place at no interest expense to the customer.

4.2.3 Considerations about cap on payment ("cap solution")

As described above, the extended Pause logic implies a general suspension of all automatic payment agreements, unless the customer has contacted the bank with a wish to pay despite the risk of overcollection. In this connection, the bank also advises that, in case of overcollection, the bank will repay and compensate the customer. At present, the bank does not seem to have implemented a process for when

and how the issue of overcollection will be investigated and handled in cases where the customer continues to make payments despite the bank's warnings.

At meetings with the bank, we have been informed that, as a supplementary measure against the risk of overcollection, the bank is considering the possibility of implementing a further safeguard, especially for customers approaching the point where they have repaid their registered debt in the debt collection systems in full, a so-called cap solution. Within the last Danish kroner paid, there is thus an increased risk that the customer will pay too much, which is also the bank's own assessment.

In this connection, the bank has given us a general presentation of its provisional considerations about possible measures for customers who are approaching full repayment. Among the possible solutions, for example, there is a proposal to set a limit on debt collection, according to which payments are stopped and the outstanding debt is cancelled/written off when a customer has repaid a certain proportion of the outstanding debt. This limit could be based on data from known issues (the root causes and additional issues) and provide an estimate of their expected impact on total debt. The total estimated impact from the issues would thus form the basis for the amount of outstanding debt to be cancelled before repayment. An alternative solution considered is to make a manual adjustment when the case approaches repayment in full. For the time being, the bank has assessed that such a solution involves a higher workload, but it does, however, result in fewer complications in connection with tax matters and communication about the measure.

We note that the bank's considerations about this are of a very provisional and preliminary nature at this stage and that no concrete solution is currently available. Therefore, we cannot at present comment on the effect of this or the consequences for each customer. In addition, we have not received a description of the expected timetable for a decision on and implementation of a solution, but the bank has stated that a proposal for a decision will be presented to the bank's decision-making bodies at the beginning of June 2022.

However, we note that the currently lacking process for when and how to investigate and handle the matter of overcollection may have inexpedient results for the bank's customers. Thus, it is not currently possible for the bank's debt collection customers to settle their entire debt registered with the bank without the risk of excess payment due to the many issues in the bank's debt collection systems. For customers who otherwise need to document that they do not (any longer) have debt to the bank, for example in connection with raising loans with another bank, this may be unreasonable. In general, therefore, it must be possible for customers who can and wish to repay their total debt do so without running an increased risk of paying too much.

4.3 Handling of cases previously flagged as green

Cases previously flagged as green include cases in the bank's debt collection systems, the DCS and the DF, that were flagged as green during the period from July 2019 to June 2021 as a result of the correction team's correction of the case and which may have been included in court cases, execution and submission of claims in bankruptcy/probate cases during this period. In July 2021, these cases were flagged as red again and thus included in the Pause logic, as the previous corrections had not taken into account the additional issues that were subsequently identified.

The bank's red/green flagging is described in section 6.3 of our report of 31 October 2021. In this connection, we described some decisions made by the bank in relation to these cases, which had not yet been implemented by the bank. In this report, we have therefore followed up on these matters (see below).

4.3.1 Checking by means of the bank's data models

In connection with our report of 31 October 2021, we noted that the bank's work on manual correction of cases had shown a not insignificant error rate, particularly for periods prior to October 2020, which was explained in connection with the bank's own spot check review of the cases.

In this connection, the bank decided on 10 May 2021 that the cases previously flagged as green should be checked by means of the bank's data models, which have been used to calculate compensation as a result of the four root causes. The bank expected the process to start in the fourth quarter of 2021, but we had not received a detailed description of the specific approach and timetable.

As a result of the high error rate in the bank's spot checks, according to information received, the bank has in March-April 2022 checked all cases previously flagged as green. For this purpose, the bank has used the data models used by the bank to calculate compensation as a result of the four root causes. In this connection, we have asked the bank to provide a written description of these checks.

In addition, the bank has stated that the checks were carried out based on expectations that the manual correction of the cases was made correctly, but that the data models were used to validate this. In addition, the bank's QA team has performed quality controls to confirm the model's outcome in cases where the data model shows overcollection and in cases where the model cannot make any conclusion in this regard. In addition, a sample of 10% has been made in cases where the result shows no overcollection, it being noted all cases from before 2004 are included in the quality controls.

According to information received, the bank has recalculated a total of 9,307 cases previously flagged as green by means of the data models. This recalculation has resulted in three case categories: 1) 181 cases

in which the bank, on the basis of the model's results, identifies a risk of overcollection, 2) 687 cases in which the bank cannot, on the basis of the model's results, draw a conclusion and 3) 8,439 cases in which the bank, on the basis of the model's results, establishes that overcollection has not taken place.

The bank's correction team has subsequently reviewed all 181 cases in category 1, where the model identifies a risk of overcollection and has, for instance, identified a total of 44 cases where the customer is found to be entitled to compensation from the bank. The bank's correction team is also reviewing all 687 cases in category 2 (cases with no conclusion) and has identified 10 cases where the customer is entitled to compensation. In relation to category 3, the bank has examined a sample corresponding to 10% of the total population of 8,439 cases, which has not given rise to payments from the bank.

In total, 54 cases previously flagged as green have been identified where the customer is entitled to compensation from the bank as a result of the four root causes.

The bank has stated that it used the DCS model and the statistical model, respectively, for the checks as described in section 7.3 of our report of 31 October 2021. However, at a meeting with the bank held in March 2022, we learned that a number of accounts had been found where the model did not work (manually created accounts). According to information received, the number of cases was about 265. On request, the bank has informed us that a review of these cases is under way and is handled by the bank's correction team. The bank states that no conclusions have yet been drawn from this work process. We will follow up on this in our further work.

At a meeting held in March 2022, the bank informed us that customers who were found to be entitled to compensation were still awaiting a recalculation of interest before compensation could be paid. The bank has stated that it expected to pay compensation to these customers on 20 April 2022, but on 4 May 2022 it stated that compensation had not yet been paid. On 24 May 2022, the bank stated that it expects to pay compensation to these 54 customers in June 2022. We expect to follow up on this in our further investigation of the bank's progress.

4.3.2 Interest accrued after October 2020

As described in our report of 31 October 2021, the bank has informed us that, for the cases previously flagged as green at 1 July 2021, interest accrual has been suspended with effect from 1 October 2020 and that the bank will compensate customers for any payments made to cover the interest accrued in the meantime. At the time, however, the bank informed us that no process or procedure had yet been established for calculating this compensation, but that the affected customers had been informed that the bank would compensate them.

For the purposes of this report, we have therefore asked the bank to state whether a decision has been made about the approach to the cases previously flagged as green in which customers have made payments to cover interest accrued after October 2020 and how such payments will be handled by the bank.

On 28 February 2022, the bank confirmed that a decision was made about the handling of the cases in question. In this connection, it has been decided that, for customers who have made payments on interest accrued during the period in question, set-off will either be made against any outstanding debt or, in cases in which overcollection has taken place, compensation will be paid to the customer with the addition of time compensation (see section 6.2 below). According to the bank, the implementation of this measure was underway at the time.

On 3 May 2022, the bank stated that an interest rate of 0% was implemented for about 5,000 out of about 7,500 customers covered by cases previously flagged as green who had not made payments on interest accrued during the period in question. In regard to the remaining 2,500 customers, the bank informs us that the cases are more complex and that it is also working on the implementation of an interest rate of 0% for the period from which the customers were flagged as green and until the bank again flagged all cases as red in July 2021. In this connection, the bank points out that a large number of the remaining 2,500 customers are most likely to have never made payments on interest accrued during the period in question. The bank has not provided information about an expected timetable for the implementation of interest accrual suspension in the remaining cases.

We note that, in September 2021, an ORIS report was created at the bank on letters to customers with cases previously flagged as green, it being noted that the wording concerning the question of compensation for interest accrued after October 2020 was inappropriate. According to the description in the report in question, the wording of the letter stated that customers would be compensated if they had paid interest. According to the report, the wording does not fully correspond to the approach assumed by the bank whereby accrued, but unpaid interest will be deleted and payments on interest will be rebooked, if possible, to the account prior to payment of any outstanding amount.

The bank has stated that the above has not given rise to an additional issue, but that a solution description has been prepared about the problems, which is being implemented. At present, we have not received any information about the specific changes resulting from the solution description and when they are expected to be implemented. As we understand that the bank has not yet paid final compensation to customers being entitled to such compensation as a result of the interest paid for the period in question, we will revert to this matter in our further investigations.

4.4 Follow-up on measures concerning specific case types

4.4.1 Withdrawal of claims in bankruptcy/probate cases and civil cases before the courts

In our report of 31 October 2021, we described that the bank, due to the risk of additional issues at the end of May 2021, decided to withdraw all cases from the courts (civil and enforcement proceedings) and that, on 23 September 2021, the bank decided to withdraw claims submitted in bankruptcy/probate cases. The bank expected the withdrawal to be completed during the fourth quarter of 2021.

As regards cases before the ordinary courts (civil and enforcement proceedings), the bank has subsequently confirmed that all known pending cases have been reviewed and that 75 cases have been withdrawn. However, exceptionally, no withdrawal was made in seven cases. The bank has explained the basis for this to us, and a specific and individual assessment has been made of whether to withdraw each individual case.

The bank has also stated that two instances of enforcement proceedings were completed by mistake. According to the bank, these proceedings were completed without informing the bank, and the bank was therefore not informed until it received the enforcement court's ruling.

As regards the withdrawal of bankruptcy/probate cases, the bank informed the Danish FSA by letter dated 31 October 2021 that the bank's claims in 173 bankruptcy/probate cases had been withdrawn at that time and that a further 300 cases were being analysed. The bank has subsequently informed us that, in 295 cases since then, the bank has withdrawn its claims by means of dedicated efforts. The bank has no knowledge of any additional bankruptcy/probate cases in which the bank has submitted claims that should have been withdrawn, but were not.

Overall, the bank's work on withdrawing bankruptcy/probate cases can be summarised in the figure below.

Figure 5 – Withdrawal of bankruptcy/probate cases since 23 September 2021 (illustrated on the basis of information from the bank)

Case type	Number of claims withdrawn by the bank	Number of claims maintained after specific assessment by the bank	Cases completed due to errors
Civil and enforcement proceedings	75	7	2 (enforcement proceedings)
Bankruptcy/probate cases	468	0	0

The bank states that it still faces the task of withdrawing claims in cases where claims against the bank's debt collection customers are "submitted" by a third party since, in such cases, the bank, offhand, becomes a party to the administration of the estate. According to information received, this involves cases where the bank's claims are registered in public registers (e.g. the land register) and are therefore included by an administrator or in connection with a forced sale. However, when the bank is informed of such "submission", the claim is withdrawn.

In addition, according to information received, a potential task is outstanding in terms of having to withdraw claims in cases relating to estates of deceased persons, if the administrator mistakes the bank's pro forma statements for actually submitted claims. Such pro forma statements are, however, according to information received, sent exclusively from the DCS system and entail, according to the bank, only a part of the preliminary overview of the customer's outstanding balances with the bank, which is submitted for the purposes of the bankruptcy/probate court's assessment of how the bankruptcy/probate case is to be considered (see section 4.4.2).

It should be noted that this description of the bank's principles for withdrawing claims applies only to cases from the bank's Debt Management. This department handles the most common debt collection cases, i.e. claims against private individuals and small businesses. In contrast, there are a number of exceptions to cases from the bank's Insolvency Department, which relate exclusively to business cases. For a detailed description of the exceptions for the so-called insolvency cases, reference is made to section 4.4.2.2 below.

Overall, it is therefore our understanding that the bank has at this stage withdrawn all claims that have been submitted in (open) bankruptcy/probate cases or which have been the subject of pending enforcement proceedings or civil proceedings, when disregarding the few cases in which the bank, on the basis of a specific and individual assessment, considered it reasonable to continue with the case.

4.4.2 Stop for new submissions

In our report of 31 October 2021, we described that, as of July 2021, the bank had ceased to submit writs of summons and payment requests in cases outside the bankruptcy/probate courts, and that the bank had also ceased to submit claims from the bank's debt collection department in bankruptcy/probate cases with effect from 23 September 2021, the exception being cases considered by the bank's insolvency department. The bank has confirmed that this is still correct and has also elaborated on the process for the cases exempted where claims are nevertheless submitted (see below).

4.4.2.1 Possibility of exception in special cases

For cases considered by Debt Management at the bank, a full stop has, as a clear starting point, been implemented for debt collection measures so that no claims are submitted to the bankruptcy/probate courts (estates of deceased persons, bankruptcy, reconstruction, debt relief), and no actions are brought before the ordinary courts in the form of writs of summons and payment requests. The same applies to cases before the enforcement court.

To ensure compliance with this principle, the bank states that it has implemented monitoring of various system channels in order to detect indications of cases to which the bank may become a party to a future settlement involving the payment of dividends. In cases where a claim is nevertheless submitted without the bank's direct involvement, the bank will – as described above – withdraw the claim as soon as possible. This may particularly be the case where the bank's claim against a customer is submitted by a third party, whereby the bank may unintentionally become a party to the administration of the estate.

In special individual cases, special approval may be obtained to deviate from the starting point, so that the bank may, in special cases, submit a claim or bring an action. This exception is, according to information received, intended particularly for scenarios where non-submission is considered detrimental to the customer. The bank states that such special approval must be obtained from the head of Debt Management and that this potential exception is extremely limited in practice.

The bank has thus stated that the special approvals mentioned above have been granted only in a very small number of cases, as no special approvals have been granted in connection with cases relating to estates of deceased persons, bankruptcy cases or debt relief cases. Moreover, according to the information available, no special approvals have been granted to bring actions, submit payment requests or initiate enforcement proceedings. According to the bank, special approval has been granted only in one reconstruction case during the period since the suspension of submission of claims in bankruptcy/probate cases on 23 September 2021. The bank has stated about this case that both Danske Bank and Realkredit Danmark were creditors and that they were the only creditors with significant claims, and the reconstruction

therefore depended on the bank's participation. Prior to the submission, the case was manually corrected by the bank's QA team, and a downward correction of the principal was made as a further safeguard to ensure that the claim was not too high as a result of potential additional issues. We note that the approach is very similar to the so-called "haircut principle", which applies to the "Insolvency cases" (see section 4.4.2.2 below).

In addition to the above exceptions, the bank has stated that a separate forced sale process has been established, as the bank does not necessarily have the possibility of stopping forced sales that may be initiated by a third party. According to information received, the bank must therefore calculate the bank's claim, as the claim will otherwise be calculated by a third party. In these cases too, however, the bank will consider the cases individually and manually, thereby correcting the claim and making a further downward correction of the claim. In conclusion, we understand that, in some cases, the bank maintains a claim against the collateral, but that a correction is made during the process to avoid the risk of errors. The bank has confirmed that, contrary to this, there will be no cases in which the bank has submitted the unsatisfied claim in bankruptcy/probate cases with reference to collateral. The submission will therefore not be maintained if collateral has not been provided for the claim.

On the basis of the above, it is our understanding that the bank's Debt Management does not initiate legal proceedings or submit claims in bankruptcy/probate cases other than cases in which the bank performs a specific review of the case.

4.4.2.2 Exception in cases from Insolvency

As regards the so-called Insolvency cases (business cases), the bank has stated that these cases have been considered individually and on an individual basis since July 2020. For these cases, the bank has separate access to submitting claims in bankruptcy/probate cases that differ from the general principle in the Debt Management cases described above in section 4.4.2.1. The bank has stated that the primary reason for the special approach in the Insolvency cases is that the total number of cases is lower. In January 2022, the bank stated that there were only about 500 active cases at Insolvency, against about 90,000 active cases at Debt Management. In addition, the bank has stated that the Insolvency cases will typically be more recent cases, and the complexity of the cases is therefore lower than that of older cases. Finally, for the large business customers, the claims are typically very large, and the bank therefore considers it to be disproportional to allow these claims to lapse in the event of the customer's bankruptcy etc.

The relatively limited number of Insolvency cases allows the cases to be considered on an individual basis. The bank has therefore assessed that the risk of submitting too high claims in these cases has been mitigated by implementing an approach based on management approval, manual correction of the case on the basis of specific principles and, finally, a reduction of the claim prior to submission.

We have therefore noted that the bank, prior to submission, first makes a manual correction of the claim for the effect of the four root causes and additional issue no. 2 concerning interest on reminder fees (Helios). In addition, the claim is reduced to such an extent that, according to the bank, it is highly certain that a too high claim is not submitted. This reduction in debt is called a haircut by the bank. In general, this reduction implies that the bank will cancel all interest and fees added in the DCS. The amount (interest and fees) not submitted as a result of the haircut will be cancelled in this connection and will not be charged to the customer at a later date.

When submitting the corrected claim, according to information received, the bank will attach a written reservation describing the calculation on which the submitted claim is based. In this respect, the reservation contains, for the sake of good order, a comment on the risk that, despite this calculation, the claim may be incorrect. If the bank subsequently finds that the claim submitted exceeds the bank's real claim, it is stated that the bank will reduce the claim and, if necessary, repay money if it has received too much. We have asked the bank about this reservation, and, according to the bank, there have been no cases in which the claim, after having been submitted, has turned out to be too high, but the reservation in the letter has been included for the sake of good order and as a promise to the administrator of the estate.

In our opinion, the bank has, on the basis of the above process of correction and haircut of the debt (write-off of interest and fees added in the DCS), mitigated the most important risks of overcollection, including the risk of submission of a too high claim. As the cases are reviewed individually and manually, and as a customer-friendly approach has been chosen in addition to the bank's written reservation, the risk that the bank should submit too high claims seems to be limited to a minimum.

4.4.2.3 Special information about voluntary composition with creditors

In a letter to the Danish FSA dated 1 December 2021, the bank explained how the bank handles enquiries about proposals for composition from customers affected by the errors in the bank's debt collection systems.

In this connection, the bank has stated that, for a period after the red flagging of all debt collection system cases, the bank has been reluctant to enter into composition agreements with its customers as a result of the challenges involved in calculating their debt. During the period from June 2021 to December 2021,

the bank's Debt Management thus entered into composition agreements only with fewer than 20 customers on the basis of individual assessments. Similarly, a small number of composition agreements have been entered into in the large business cases (Insolvency) after a specific review.

However, the bank has stated that, in continuation of the letter to the Danish FSA dated 1 December 2021 and as stated in the letter, it will implement a process for considering composition requests. The bank's Debt Management will thus, according information received, conduct a specific review of the case, and the claim will be corrected for the four root causes and additional issue no. 2. In addition, a reservation will be made for the possibility that the debt may be affected by additional issues, and the bank will pay compensation if this is concluded. We are not aware whether this has been finally implemented. In our further investigations, we will follow up on this in regard to the bank.

In the bank's Insolvency cases, corrections and haircuts are made as in the process for submission in bankruptcy/probate cases (see section 4.4.2.2).

We refer to our comments above in section 4.4.2.2, since the bank's approach can be seen to reduce the risk of errors in this connection. In this connection, we believe that the bank has taken the necessary steps to comply with the customer's request for voluntary composition, as the bank tries to counter the risk of overcollection as much as possible by correcting the case.

4.4.2.4 Special information about pro forma statements

In our report of 31 October 2021, we provided an overall description of the bank's pro forma submissions under the section on additional issue no. 1, as the bank had found, in connection with cases relating to estates of deceased persons in the DF system, that these pro forma statements in a number of cases, including as a result of the bank's use of an incorrect standard letter, had been regarded and considered as final submissions, entailing a risk that the bank received dividend from an uncorrected claim.

As mentioned in section 4.4.1, the bank has stated that pro forma statements have been submitted exclusively from the DCS system since August 2021. In this connection, the bank has stated that these statements are included as part of the extract of the customer's total outstanding balances with the bank (securities, accounts, etc.) sent in connection with estates of deceased persons for the purposes of the bankruptcy/probate court's assessment of how the case is to be considered. All of this information from the bank may thus be of importance, for instance, to whether the case is to be considered by an estate handler, as an appropriation to a beneficiary of all assets of a deceased's estate or other.

According to the information available, the process is that the bank sends a statement of the claim registered with the bank and makes reservations for the possibility that the claim has not been finally calculated. In this connection, the bank has identified a risk that the pro forma statement may be interpreted as a real/final claim by the administrator, which, as described under additional issue no. 1, has been the case in 840 DF decedent estate cases between June 2019 and 26 August 2021 (see also section 9.4.1). The bank has stated that it is working to improve the wording of the statements submitted in order to avoid the risk of misunderstanding. However, we have not gained any insight into the timetable for this. The risk is provisionally countered by ordering the administrator directly not to include the bank in the dividend calculation. In this context, it should be noted that pro forma statements are currently submitted exclusively from the DCS system, since the approach has been stopped in respect of DF cases since August 2021.

4.4.2.5 The bank's considerations about the future process

As regards the future strategy, the bank has appointed a working group to investigate and make decisions about the process for withdrawn cases and the possibilities of re-establishing the process of submission of claims in the Debt Management cases.

The bank has stated that, in mid-March, this working group completed the first part of its work on the fundamental guidelines in this respect. The solution is awaiting final approval by the bank's Debt Management Committee. According to information received, the current plan is to complete the development of the solution by the summer of 2022 and to roll out the solution in full in the third quarter.

On the basis of the bank's preliminary descriptions, the proposed solution for future submissions of claims seems to offer a solution similar to the one currently available for the Insolvency cases (see section 4.4.2.2), although the bank is considering an even more customer-friendly approach in Debt Management cases that concern consumers. As mentioned above, the bank has not yet made a final decision about this, and we will follow up on this in our further investigations when a more detailed description is available.

4.4.3 Information about external debt collection cases

In our report of 31 October 2021, we described that the bank had implemented separate measures in debt collection cases outsourced to external debt collection agencies. In respect of these cases, we refer to the previous report, as the bank does not seem to have implemented any revised processes, measures or initiatives. Thus, we still understand that new cases are not sent to external debt collection agencies and that, in the cases already outsourced, the bank has implemented an extended Pause logic and set the interest rate at 0%.

The further consideration of issues related to the external debt collection agencies is addressed in the section on additional issue no. 13 (see section 9.4.13).

5. THE BANK'S COMMUNICATION TO CUSTOMERS

5.1 The bank's process for communicating to customers

On 21 September 2020, the Danish FSA, as described in our report of 31 October 2021, issued an order to the bank, which among other things required the bank to inform affected customers as soon as the bank had established with reasonable certainty that the customer belonged to a group that may be affected by one of the errors identified. In addition to covering the four root causes, this order also covers the additional issues described in section 9 of this report.

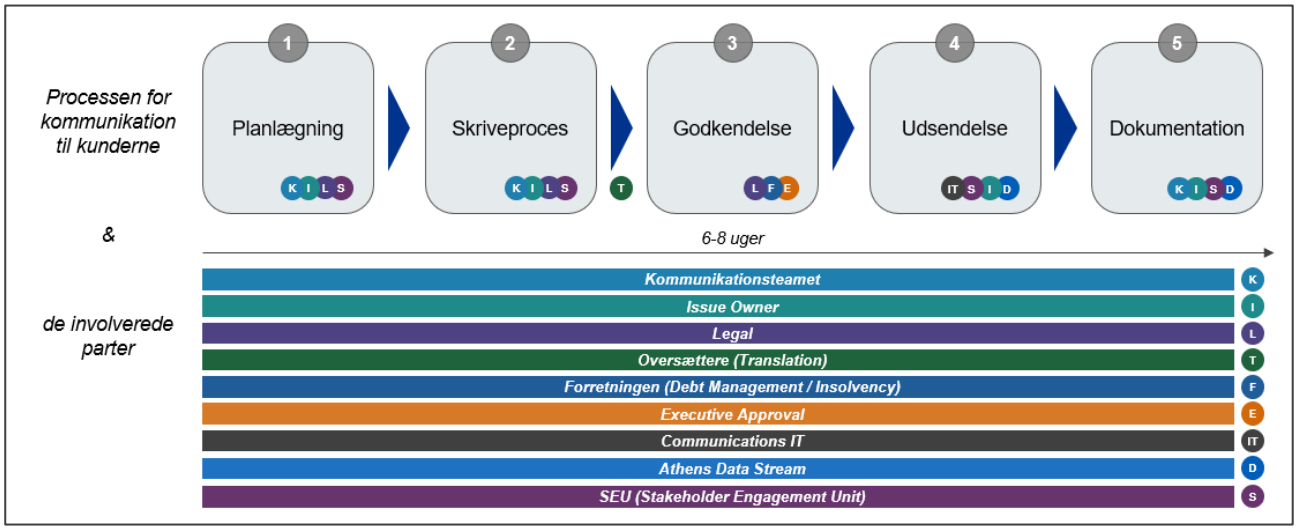
In our report of 31 October 2021, we described in general terms the bank's process of drafting and sending letters to the bank's customers, including examples of letter templates. The bank has subsequently taken further steps to implement and document its communication efforts across issues and phases. The bank's processes have thus been further described to us in writing and at meetings with the bank, including in particular with representatives from the central communications track of Programme Athens.

In this connection, we understand that all of the bank's letter communications to customers, both in relation to the four root causes and to the additional issues, are subject to a standardised process that generally includes five steps (see also figure 6 below).

1) Planning
2) Drafting process
3) Approval
4) Distribution
5) Documentation and follow-up

According to our information, the process for one letter takes between 6 to 8 weeks and is carried out by a dedicated team at the bank, which is assisted by the bank's legal department, the analysis team responsible for communicating about the issue, the bank's data team, translators, and the bank's Quality Assurance team. The process is initiated when the analysis team finds a need for communication (that is, a duty to communicate) and contacts the bank's coordinating team (referred to as the Stakeholder Engagement Unit). The analysis and coordination teams then set out a timetable and inform the Debt Management Committee and the communications team, and the production of the letter is then initiated.

Figure 6 – illustration of the process of communicating to customers (illustrated on the basis of information provided by the bank)



As stated in our report of 31 October 2021, the bank has assessed that, in view of the large number of additional issues, the most appropriate course of action has been to combine communication about several issues in the same letter also to avoid unnecessarily sending the bank's customers an excessive number of letters about the bank's remediation work. It should also be noted that the bank appears to have ensured that all customers for whom it has contact information have received at least one information letter about the risk of errors in statements of debt etc. from the bank.

As described under the section on preventive measures, see section 4.2, the bank's extended Pause logic also provides protection against overcollection because all customers who have made repayments at any time after October 2020 have had their payment agreements suspended and have been informed accordingly about the risk associated with voluntarily continuing to make debt repayments. In light of this, we have no comments on the fact that the bank for some of the additional issues has waited to inform customers until multiple issues could be covered by the same letter, as described above.

In addition to the primary form of customer communication by letter, the bank also uses its website as a secondary source of communication. A separate section on the website (referred to as the remediation site) is updated on a monthly basis, and it provides customers with the opportunity of reading more about the issues and about the latest status of these on the website. The website also contains contact information and contact forms that enable the bank's customers to ask questions about their debt and to report any financial losses to the bank, including indirect losses, that they may have incurred and which may

not have been covered in connection with the bank's payment of compensation for one of the four root causes or one or more of the additional issues.

In this connection, we have noted that in April 2022 the bank and the Danish FSA were in dialogue about the clarity of communication to customers on the bank's website regarding the progress in the bank's work. We note that the FSA's decision of 25 April 2022, see section 1.1.3, contains an order to the bank to:

> *"clarify the information published on the bank's website regarding the status of the work in relation to the four root causes."*

In this connection, the bank has informed us that corrections were made to the information on the website on 25 April 2022 with reference to the FSA's order. In this connection, the bank has corrected its text on the website to show that the bank has reviewed all customer cases in its debt collection systems and for which there is a risk of overcollection as a result of the four root causes originally identified. In addition to the addition of the underlined passage, the bank has stated that the outstanding debt will also be adjusted in most cases and that the bank continues to work to recalculate all customer cases in which the debt must be adjusted as a consequence of the original data errors. A time horizon for this recalculation and data correction has not been specified because the bank has not yet determined a solution as described in section 3.3.2.

We have found that all the customer letter templates presented to us contain a reference to the bank's website, informing customers that they can read more about the issues and also that they have the option of submitting additional claims for any financial losses they may have incurred. In the letters, the bank also informs customers that they can contact the bank if they have any questions about the debt collection and the related documentation issued by the bank. In this connection, we have noted that the central communications team in Programme Athens has also prepared FAQs for the bank's customer advisers, which the advisers can use when answering telephone enquiries, for example. These FAQs serve as a guide to customer advisers when they answer questions from customers, and they ensure a uniform and consistent response to customer enquiries regarding the work on remediating the errors in the bank's debt collection.

5.2 Status on the bank's communication to customers

The bank's communication by individual letters to customers can be divided into two main categories in relation to Programme Athens:

- Information letters sent to customers or former customers who the bank assesses *could be* affected by a given issue and which are thus intended to comply with the aforementioned order in the Danish FSA's decision of 21 September 2020 regarding communication to customers and
- Conclusion letters sent to the bank's customers or former customers when the bank has finally concluded whether the customer is affected by the current issue. These letters also provide information to affected customers about the compensation, including information about how the compensation is calculated and information about the components of the compensation (tax compensation, time compensation, etc.).

Since the publication of our report of 31 October 2021, the bank has sent new information letters to those of its debt collection customers who have currently chosen to continue to repay their debt. This has taken place in connection with the implementation of the so-called extended Pause logic. See also descriptions thereof in section 4.2 of this report.

The bank has also sent information letters in relation to several additional issues, as described in section 9. In conjunction with the identification and analysis of more issues, the bank maintains an ongoing process of sending letters to customers informing them about the issues. As stated above in section 5.1, the bank has in some cases chosen to combine the information about several issues in one letter to avoid the customer receiving an unnecessarily excessive number of letters from the bank. This was the case, for example, with the bank's letter concerning additional issues nos. 3, 6, 8, 13, 17, 18 and 19 sent to customers in the autumn of 2021.

We note that the bank continues to use the approach of combining information about several issues in one letter. The bank has stated that this is also likely to be the approach in relation to informing customers affected by issues nos. 20, 22, 24, 26a, 26c and possibly 26b, depending on the progress of the analysis work at the end of May 2022, at which time the bank, according to its own plans, expects to send another information letter.

Since our report of 31 October 2021, the bank has also reached a decision about and sent information to customers about tax-related matters related to compensation amounts that have been paid out or will be paid out as a result of the four root causes and a number of the additional issues. General information about tax compensation is provided to the bank's customers together with the bank's conclusion letters. In cases where this the practice is used, customers are also informed about the payment of tax compensation and about the customer's obligation to declare the payment amounts they receive to the tax authorities. Reference is made to section 6.3.4 regarding the bank's communication to customers about tax issues.

5.2.1 Letter releases outstanding from the autumn of 2021

In our report of 31 October 2021, we described that the bank had sent information letters to the bank's debt collection customers informing them of the errors in the debt collection systems as a result of the four root causes.

At the time of preparing the report of 31 October 2021, the bank was also in the process of sending information letters to customers whom the bank at the time assessed might be affected by one or more of the additional issues nos. 3, 6, 8, 13, 17, 18 and 19. In this connection, we stated in our report of 31 October 2021 that of the 90,000 letters of this type that the bank planned to send, 60,000 had already been sent. According to the bank, the remaining approximately 30,000 letters would be sent to customers by the end of October 2021 at the latest.

On 31 March 2022, the bank informed the Danish FSA that it had discovered that, because of an error, the 30,000 remaining letters had not been sent as intended. The error was caused by incorrect filtering of the bank's IT systems, and at that time only 188 of the remaining affected customers had received the required letter about the additional issues nos. 3, 6, 8, 13, 17, 18 and 19 as a result of the error. At a meeting held on 9 May 2022, the bank informed us that the remaining 28,166 letters have subsequently be sent to customers or former customers for whom the bank has the necessary contact details.

According to information received, the bank's preliminary analysis shows that some 25,000 of these customers have not made any repayments on their debt since the introduction of the extended Pause logic, see section 4.2.1. The bank therefore considers it unlikely that these customers have suffered a financial loss as a result of the lack of communication. We also note that all of the bank's debt collection customers have now received several information letters from the bank, including the Pause letters, and that all of these letters provide information about the risk of overcollection if the customer continues to make repayments.

5.2.2 Errors in communication about outstanding debt

In reviewing the bank's letter templates, we have noted that the bank has sent letters to some customers who are affected by the four root causes informing the customer about an error in the bank's conclusion letter.

It appears that the bank in error has informed the customers in question that the customer's case has been closed in the bank's systems and that the customer no longer owes debt to the bank in relation to the debt on the accounts stated in an earlier letter to the customer.

At our request, the bank has stated that this misunderstanding was due to the fact that, in October 2021, the bank had communicated about several cases combined in connection with the bank's conclusion letters concerning the four root causes. This approach also led to approximately 100 customers receiving a letter in error stating that their case was not affected by errors because the case had been closed without repayments, even though this was not accurate for one or more of the customer's cases. We understand that the error was discovered as a result of a customer enquiry.

In November and December 2021, the bank sent a follow-up letter to the approximately 100 affected customers informing them of the incorrect communication. In this connection, the bank enclosed a preliminary statement of the customer's outstanding debt in table format and a statement that the registrations of the outstanding debt may prove to be erroneous. As we understand from the bank, no subsequent complaints or requests have been received from the affected customers.

6. COMPENSATION TO THE BANK'S CUSTOMERS

6.1 General information about the bank's work to compensate affected customers

At the time of our report of 31 October 2021, the bank had calculated and paid compensation to most of the customers who the bank had deemed entitled to compensation due to the four root causes, it being noted that the last payments after the bank's QA process were outstanding. In addition, a number of cases where payment was blocked due to bankruptcy/probate cases and specific circumstances were outstanding.

According to the bank, the total number of customers deemed entitled to compensation due to the four root causes was subsequently 7,796. According to the bank, compensation has currently been paid to 5,477 of the above 7,796 customers. According to information received, the payment to the remaining 2,319 customers has been made difficult by specific circumstances, as 1,126 of these customers are covered by bankruptcy/probate cases. Compensation to the remaining 1,193 customers has been made difficult by other circumstances, including blocked NemKonto accounts and issues in relation to the bank's AML controls. According to information received, the bank has set up a working group to find general solutions for payments to customers who are blocked due to AML controls. Against this background, the bank expects to be able to make additional payments in September 2022, but we have not gained any detailed insight into this work.

In this connection, we note that 202 customers did not receive compensation in October 2021, as assumed by the bank, as a result of an error in connection with the payments. The bank has informed us that the error has subsequently been corrected and that payments were instead made at the end of April and the

beginning of May 2022. However, for these customers, there may also be specific circumstances that prevent payment (see above).

Finally, the bank has stated that, in connection with a check of the previously green cases by means of the bank's data models in the spring of 2022, 54 additional customers were identified who must be compensated for the four root causes. These customers are not included in the 7,796 customers listed at the beginning of this section, and a total of 7,850 customers are entitled to compensation due to the four root causes. Reference is made to section 8.2.2 for more details about the bank's payments in relation to the four root causes.

Figure 7 – Status of the bank's payment of compensation for the four root causes (illustrated on the basis of information from the bank)

Total number of eligible customers	7,850
Total number of customers having received compensation	5,477
Payment made difficult – customers with bankruptcy/probate cases	1,126
Payment made difficult – customers subject to other obstacles	1,193
Compensation is pending (expected in June 2022, according to the bank)	54

For a proportion of the additional issues described in section 9 of the report, the bank has either completed the compensation payment or is in the process of compensating customers. In this connection, the bank's approach to compensation for the respective additional issues and the compensation models used for this purpose are described in more detail in section 9.4.

Specifically, at the end of May 2022, the bank completed the payment of compensation to customers affected by the following additional issues (see also the table in section 9.3):

- **Additional issue no. 10 (*home*)**, which concerns the bank's failure to negotiate estate agent fees to the estate agent chain *home* owned by the bank in connection with the customer's non-forced property sale in which a loss is accepted. See section 9.4.10 for more details on additional issue no. 10.

- **Additional issue no. 14 (Eos)**, which concerns Nordania's practice of charging reminder fees. See section 9.4.14 for more details on additional issue no. 14.

- **Additional sub-issue 19a**, which concerns errors in connection with the bank's closing of cases in the DCS and where the customer's final payment to repay the outstanding debt in full has turned out to exceed the outstanding debt by up to DKK 50. See section 9.4.19 for more details on additional issue no. 19.

- **Additional sub-issue 19b**, which concerns errors in connection with the bank's closing of cases in the DCS and where the customer's final payment to repay the outstanding debt in full has turned out to exceed the outstanding debt by more than DKK 50. On 25 May 2022, the bank stated that payments to its customers were made on 26 April and 3 May 2022, respectively. See section 9.4.19 for more details on issue no. 19.

In addition, the bank is in the process of compensating customers affected by the following additional issues:

- **Additional issue no. 2 (Helios)**, which concerns the bank's issuance of reminder fees and interest on these fees. The bank expects to complete the payment of compensation in May 2022. See section 9.4.2 for more details on additional issue no. 2.

- **Additional sub-issue 16a**, which concerns the fact that the bank's mortgage system does not contain information or functionality to handle any time-barring of defaulted debt. the bank expects to compensate all eligible customers by 31 May 2022 at the latest. See section 9.4.16 for more details on additional sub-issue 16a.

In general, it should be noted that the bank's payment to a number of customers will be prevented by the same circumstances as those described in relation to the four root causes set out above, and in particular that the customers' claims are subject to a bankruptcy/probate case, that NemKonto blockages have been identified or that the bank is handling issues related to its AML controls. However, as mentioned above, the bank has set up a working group to find solutions for customers who are blocked due to AML controls.

We also note that, as part of its work to compensate customers, the bank seems to continue to comply with the principles described in section 7.2 of our report of 31 October 2021.

In connection with the above, we note that the bank has not regularly informed the potentially affected customers of these principles. For example, the letter templates for the letters sent to customers by the bank do not indicate that they may potentially be affected by an issue or that the bank will not rely on property law time-barring against the customer. This may give rise to doubts as to whether the bank will,

in some cases, deviate from this principle, for example that the bank will again claim time-barring as the reason for not compensating a customer.

In relation to this principle, in particular, it should also be noted that, in some cases, we find that the property law time-barring is nevertheless regarded as important in the bank's considerations about compensation. For example, the calculation models for additional issues nos. 2 and 14 show that the bank has accepted a risk that certain customers will not be identified via an automated data collection process because the customers' claims for repayment will be time-barred under property law.

We note that, in relation to the bank's principles, we consider it essential that the bank in any event does not rely on time-barring which may be effective for claims for repayment while the bank's clean-up work is in progress. As a starting point, such claims for repayment become time-barred after three years, and a number of the affected customers were provisionally informed of the issues in 2021 or earlier. The fact that the bank currently expects the clean-up work to continue into 2024 or 2025 must not in this connection lead to time-barring of the individual customers' claims for repayment.

In general, however, we believe that the bank is seeking put customers in a financial situation as if the errors had not been made, which is generally reflected in the bank's approach to compensation of customers in relation to the respective additional issues.

However, we note that the bank's approach to time compensation and set-off entails a certain risk that some customers will not be fully compensated or that full compensation will not be paid until later in the bank's process. See section 6.2 below regarding time compensation and section 7.2 about the bank's set-off.

In addition, the bank has adopted an approach to compensate customers for the expected taxation of the compensation amounts paid to the customer. the bank's approach to taxation matters related to the payment of compensation is described below in section 6.3.

6.1.1 Special information about compensation in connection with rebooking/offsetting

In section 7.7 of our report of 31 October 2021, we noted that the bank's recalculation of cases and assessment of the customer's claim for repayment and compensation for the four root causes are made by means of data models or manual processes in addition to the bank's debt collection systems and that the calculation models take into account any outstanding debt on the account. Full compensation of the customer may thus, in a number of the cases, require later offsetting in full or in part of the outstanding debt registered in the account on the basis of which the compensation was calculated.

In this connection, the bank has stated that the correction of data in the systems is still awaiting a comprehensive solution (the so-called write-back, which is expected to be included in Gate 3 (see section 3.3.2)). After the bank's recalculation and payment of compensation due to the four root causes, accounts will thus continue to show a too high outstanding balance in the system. Thus, data in the systems has not yet been corrected.

However, the bank has stated that it has prepared an overview of customers who have received compensation for the four root causes and the additional issues, respectively. According to information received, the overview contains information about how much the customer has received in compensation for a given issue, broken down by overcollection, time compensation and tax compensation, and about when the compensation was paid. According to information received, the overview can be used to determine which compensation calculation models and model version formed the basis for the given customers' compensation. We understand that this overview can be used to close accounts later.

In this connection, the bank has stated that customers are still registered in the bank's debt collection systems with outstanding debt after having received compensation for the four root causes. According to information received, the bank intends to close these cases as soon as possible and inform customers accordingly, as the debt registered for these customers does not reflect a real outstanding balance with the bank. In regard to the tax consequences of the continued registration of the debt in these cases in which the customer has received compensation due to overcollection, reference is made to additional issue no. 11 (see section 9.4.11).

We also note that, for customers who continue to repay their debt to the bank, there may still be a risk of overcollection, as correction of data in the systems remains outstanding. It may therefore be necessary to compensate these customers later (again). In this connection, the bank is considering the possibility of implementing an additional safeguard for these customers, a so-called cap solution (see section 4.2.3).

In continuation of this, we note that, in relation to some of the additional issues, the bank has decided to offset compensation amounts against the registered outstanding debt. For the bank's approach and risk assessment, reference is made to section 7.2 on offsetting.

6.1.2 Indirect and additional losses (complaints etc.)

In our report of 31 October 2021, we described that, in 2020, the bank established a process to handle claims for both indirect losses and additional losses, and at the beginning of September 2021, the bank had received some 43 claims notified of which some, according to the bank, were in the nature of enquiries rather than actual claims. At the time of the report of 31 October 2021, the processing of the claims did

not, according to information received, cause the bank to pay additional amounts. However, for a proportion of the registered claims, the bank awaited additional information from the customer.

In January 2022, the bank informed us that 11 enquiries had been received at that time which had led to payment of compensation or additional compensation to the customer. This number has subsequently increased by another four enquiries, as we can conclude from documents from the bank that, at the end of March 2022, the bank had received 133 enquiries from customers related to the bank's work to compensate customers, of which 15 cases had now resulted in payment of (additional) compensation or an additional correction of customer debt. In 97 cases, the bank's handling had not resulted in compensation, while 21 cases were still being processed.

The 15 cases in which the customer's enquiry has given rise to compensation or additional compensation are divided into a total of 10 complaints that, according to documents from the bank, relate to previous manual errors in the bank's case processing and five complaints related to a reduction of debt as a result of errors in relation to interest and fees.

On 25 February 2022, we asked the bank to account for the complaints that had resulted in subsequent (additional) compensation to the customer, including for the reasons why the original compensation was calculated at too low an amount. On 2 May 2022, the bank provided the above information and has not accounted for the nature of the errors in more detail.

In connection with this report, it has thus not been possible to obtain a detailed description of the above cases from the bank, and it is thus not clear to us to what extent the (additional) compensation of customers is due to deficiencies in the original calculation of compensation in relation to the four root causes or whether the cases have been affected by other errors (additional issues). We therefore expect to follow up on this in connection with our further investigation of the bank's work to compensate customers.

In relation to indirect losses that customers can also report to the bank, it seems that the bank continues to receive such enquiries on a regular basis, albeit only to a small extent. The bank states that customer claims for indirect losses are processed on an ongoing basis.

The bank has also sent us documents stating that, at the end of March 2022, the bank had received 64 enquiries from customers regarding indirect losses, of which 53 had not resulted in compensation, while, in regard to one enquiry, a sufficient basis was found for payment of compensation to the customer. At the end of March, the remaining 10 cases were still being processed. It appears from the documents received from the bank that the one case in which the customer was found to be entitled to compensation had resulted in compensation of DKK 200 and time compensation. The case concerned a fee which the customer had paid to another bank because an account with the bank to which the customer had tried to

make a payment had been blocked for incoming payments as part of the Pause logic. As the planned payment did not go through, the customer had been charged a fee by the customer's other bank.

We also note that the bank, in its letters to customers, continues to inform them you about the possibility of making enquiries to the bank if the customer disagrees with the bank's processing or assessment of the case. In addition, the bank will inform customers of the possibility of claiming additional losses due to the customer's debt collection case on the bank's website when the customer receives a compensation letter from the bank. See also section 7.9 of our report of 31 October 2021.

6.2 Time compensation

In connection with the calculation of compensation to customers affected by the root causes of errors as well as the additional issues, customers receive, in addition to the compensation itself, so-called time compensation, which the bank states in its letters to customers is calculated according to the rule set out in section 5 of the Danish Interest Act.

In our report of 31 October 2021, we described the banks approach to time compensation in connection with compensation of customers, including the interest rate applied by the bank. As described, we have generally found that the bank has chosen an approach to time compensation, which in most cases will be to the customer's advantage.

However, we also noted certain aspects of the bank's approach to the interest rate before and after March 2013 that could potentially involve derogation from section 5 of the Danish Interest Act to the detriment of the customer and on which we have therefore followed up in our work on this report. In addition, we have noted certain additional observations in connection with the bank's continued work to compensate customers for the four root causes and additional issues. In this section, we will account for our observations in more detail.

6.2.1 Time compensation in relation to additional issues

The bank has at present completed or initiated payment of compensation for several of the additional issues (see section 6.1 above and section 9.4). In this connection, we note that the bank has generally decided to pay time compensation to customers in connection with the payment of compensation.

Common to the additional issues is that section 5 of the Danish Interest Act is used as a basis for the calculation of time compensation by the bank. However, the bank has informed us that the start date used for calculating time compensation will be determined individually for the individual additional issues, as the nature of the individual additional issues varies. In this connection, we agree with the bank

that the start date must be determined on the basis of the specific circumstances that may apply to the individual additional issues (see section 9).

We note that, in relation to additional issue no. 2 (interest on reminder fees), the bank seems to have chosen a slightly different approach in connection with the calculation of time compensation, even if the calculation is also here assumed to use the interest rate in accordance with section 5 of the Danish Interest Act. In relation to additional issue no. 2, which is treated as part of the bank's Helios project, the bank has chosen to take into account the ongoing changes in Danmarks Nationalbank's lending rate, whereas section 5 of the Danish Interest Act states that the reference rate in the act is considered to be the official lending rate at 1 January and 1 July.

In this respect, the bank states that the chosen approach on the basis of the bank's calculations is considered to be to the customer's advantage. We have not reviewed specific cases, and it is not possible for us to verify the bank's calculations. Thus, we are not able to assess whether the bank's approach, as stated, actually is to the customer's advantage in all cases. We note, however, that the approach is not in accordance with section 5 of the Danish Interest Act and deviates, in our opinion, from the approach in relation to the bank's compensation payments in other contexts for no apparent reason.

We understand that this issue presently concerns only additional issue no. 2, but we will investigate this in more detail in our further work.

6.2.2 The bank's choice of interest rate for the period before and after March 2013

In our report of 31 October 2021, we noted that, in most cases, the bank is likely to calculate compensation to customers for a longer period than the period specified in the Danish Interest Act. We also noted that, as a result of the chosen approach, the bank also applies the interest rate that applied at the time of the first overcollection for the entire period for which time compensation is calculated. We noted that a change in the interest rate from 7% to 8% for claims due on or after 1 March 2013 entailed a risk that the repayment amount would carry interest at a lower rate than the one following from section 5 of the Danish Interest Act if the customer had repaid part of the time-barred debt before 1 March 2013 and part of the debt thereafter.

At the time, the bank informed us that this circumstance could only be assumed to be of significance in very few cases, but the bank nevertheless acknowledged that, in special situations, there could be cases where a customer would not have an interest rate equal to the interest rate calculated in accordance with section 5 of the Danish Interest Act. The bank also stated that the bank had therefore initiated work to identify the customers who could be affected by the bank's decision to apply the interest rate that was applicable at the time of the first overcollection, including with a view to ensuring that all customers

would receive an interest rate equal to the interest rate in accordance with section 5 of the Danish Interest Act.

In connection with this report, we have asked the bank to inform us of the status of the work on identifying the customers affected by the issue and how the bank has handled any difference in the identified cases. However, at a meeting held on 14 March 2022, the bank stated that it had not, as otherwise stated previously, identified – and did not plan to identify– customers who could be affected by the issue regarding the changed interest rate in 2013. We thus understand that the bank has not followed up on its indication that it would identify customers and thereby ensure time compensation that corresponds at least to the interest rate in accordance with section 5 of the Danish Interest Act. However, on 24 May 2022, the bank stated in connection with the consultation on the report that it still intends to investigate the matter. However, we have not gained any detailed insight into what this investigation will comprise and when it will be conducted.

For the time being, we note that the bank does not seem to have followed up on the approach of which we were informed in October 2021 in connection with our discussions with the bank about the risk involved in the current approach. Finally, we have not received any documentation from the bank stating the reasons for the bank's decision not to identify the customers who could be affected by changes in the interest rate, and we have not been informed of the bank's considerations about how time compensation will be calculated in connection with additional issues in respect of which the question is also relevant. As the bank stated on 24 May 2022 that it still intends to look into the matter, we will revert to this matter.

6.3 Taxation and compensation for taxation

In our report of 31 October 2021, we stated that the bank had been in a dialogue with the Danish tax authorities about whether and how customers might be taxed on the amounts paid out as a result of identified or estimated overcollection. We also wrote that, according to information received, the bank had adopted a principle whereby the bank will compensate customers for any tax claims that the customers may be faced with as a result of repayment and compensation by the bank. The bank had also informed the customers of this in the letters sent out in connection with the payment of compensation in relation to the four root causes.

However, when we submitted our report of 31 October 2021, the bank informed us that the bank was still in a dialogue with the Danish tax authorities in relation to the tax issues regarding the compensation payments and that the bank was awaiting guidance from the tax authorities.

The bank has subsequently adopted an approach concerning the taxation of compensation amounts paid by the bank, which is based on external advice and binding answers from and a dialogue with the Danish tax authorities (see section 6.3.2 below). In addition, the bank has decided whether to pay tax compensation for several of the bank's issues and how to calculate the tax compensation (see section 6.3.3).

6.3.1 External advice and binding answers on tax liability

We note, by way of introduction, that the bank bases its approach on questions about customers' tax liability and compensation on external legal advice, an ongoing dialogue with the Danish tax authorities and binding answers from the tax authorities about certain matters in this respect.

According to information received, the bank is in an ongoing dialogue with the Danish tax authorities about tax issues, including issues relating to taxation of the compensation amounts and other tax issues arising from the bank's analysis of the additional issues. In this connection, this section of the report deals only with taxation in regard to the bank's compensation payments.

The bank has asked the Danish tax authorities for binding answers to the issue of taxation of payments of compensation to customers. In this connection, the bank received a binding answer from the tax authorities in January 2021 concerning the four root causes and another answer in November 2021 in relation to additional issue no. 2 (Helios project), which concerns, among other things, the charging of interest on reminder fees (see section 9.4.2 below). The Danish tax authorities' binding answer of 23 November 2021 was, according to information received, used by the bank as general guidelines in Programme Athens. The binding answer is described below in section 6.3.2.

In addition, the bank has obtained external legal advice in relation to tax issues relating to compensation payments. The bank has thus received, for instance, memoranda about the tax implications in connection with payment of compensation in relation to additional issues nos. 2, 10 and 14.

6.3.2 The tax liability issue in connection with payments from the bank

As described in our report of 31 October 2021, the bank has decided to compensate customers for any tax claims that may be made against them as a result of the payments made by the bank. As stated above, the bank was therefore in a dialogue with the Danish tax authorities to determine whether and how customers might be taxed on the amounts paid out to them due to the identified or estimated overcollection.

In this context, the bank received a binding answer in relation to the entire clean-up organisation in January 2021 in which the Danish tax authorities confirmed that, under given circumstances, the customers were not liable to pay tax on compensation related to the four root causes. However, the binding answer was, according to the reasons, given on the assumption that the principle of *condictio indebiti*[1] applied and that a legal claim for repayment therefore existed which was not time-barred. However, since the bank's compensation models often do not lead to an exact calculation of the repayment claim and since the bank's compensation principles mean that time-barring of the repayment claim is generally disregarded, the assumption for the binding answer will probably not be met in a large number of cases.

As mentioned above, on 23 November 2021, the bank subsequently received another binding answer from the Danish tax authorities about taxation of compensation payments in relation to additional issue no. 2, which concerns, among other things, the charging of interest on reminder fees. In its enquiry made to the Danish tax authorities, the bank has stated that it is not possible to make a complete and exact recalculation of the wrongfully charged amount for each individual customer and that the bank's recalculation is based on a number of customer-friendly assumptions.

In this binding answer, the Danish tax authorities conclude on the basis of the information provided by the bank about additional issue no. 2 that the rules of *condictio indebiti* do not apply, as the intended compensation amounts will in most cases exceed the amount that customers have actually paid too much. The tax authorities also state that *the entire amount* is taxable as personal income in such case.

In relation to the time compensation paid by the bank to the customer together with the calculated repayment amount, the Danish tax authorities conclude that this amount is taxed as personal income (see section 3 of the Danish Personal Income Tax Act). The Danish tax authorities further state that the amounts paid are taxable in the income year in which the amounts are repaid.

6.3.2.1 The bank's general guidelines

On the basis of the binding answer from the Danish tax authorities (see above), the bank has, according to information received, laid down the following general guidelines for assessing customers' tax liability in relation to compensation payments in connection with the clean-up (see, however, the special circumstances regarding additional issue no. 10 below):

1. In connection with repayment to the customer, the calculated overcollection is considered to be taxable income, unless the principle of *condictio indebiti* specifically applies. The bank considers

[1] The principle of condictio indebiti implies in general that a person who by mistake pays what the person was not bound to is entitled to recovery, unless it would be unreasonable or particularly onerous on the recipient because of specific circumstances.

the principle of *condictio indebiti* to apply if the customer's repayment claim can be exactly calculated and is legally enforceable. In that case, the payment of compensation is considered to have no tax implications for the customer. Otherwise, the full amount of compensation will be considered taxable.

2. In all cases, time compensation is considered taxable income.

According to information received, the bank considers the principle of *condictio indebiti* to apply only in cases where the quality of data allows the bank to make an exact calculation of the customer's repayment claim. In these cases, no assumptions or estimated conditions have been used in the calculation, but an exact calculation of the overcollection has been made instead on the basis of satisfactory data. According to information received, the bank has applied the principle in only one customer case in relation to the four root causes where the bank has reviewed the case and specifically assessed the exact repayment claim.

According to information received, the bank's general guidelines are not directly aligned with the tax authorities, but are, as mentioned, based on the general views presented in the Danish tax authorities' binding answer of 23 November 2021. However, according to information received, the bank still assesses on an issue-by-issue basis whether an issue falls within the scope of the approach in the binding answer. If, in relation to a specific issue, the bank arrives at a different approach, the bank will, according to information received, consider obtaining a new answer from the Danish tax authorities.

The guidelines are currently used in relation to payment for the four root causes (see section 8), additional issue no. 14, which concerns Nordania's practice of charging reminder fees (see section 9.4.14), additional sub-issue 16a, which concerns the non-registration of time-barring in the bank's mortgage system (see section 9.4.16) and additional issue no. 19, which concerns errors in connection with the bank's closing of cases in the DCS (see section 9.4.19).

*6.3.2.2 Special information about tax liability in relation to additional issue no. 10 (*home*)*

As mentioned in section 6.3.1, the bank has obtained external advice in relation to the tax implications of paying compensation for additional issue no. 10. In this connection, the bank was advised that the repayment of amounts related to additional issue no. 10 is not covered by the principle of *condictio indebiti*, but that the issue, to a higher degree, concerned compensation in connection with conduct in violation of good business practice.

In addition, the bank's adviser assesses that the Danish courts in connection with legal proceedings will be likely to find that the bank is liable to pay compensation to the customers affected by additional issue

no. 10 and that the part of the total compensation amount reflecting the additional cost of the estate agent fee is thus to be regarded as compensation. In the memorandum, it is also assessed that this will be compensation covering a non-deductible capital loss, and the compensation is therefore tax-exempt. However, the interest compensation paid, which reflects the wrongfully charged interest, and the time compensation are considered, however, to constitute taxable income, as they are considered to be a gift (see section 9.4.10).

On the basis of the advice mentioned above, the bank has decided not to consider the actual compensation amount (the compensation) in relation to additional issue no 10 to be taxable income, whereas the interest and time compensation is considered to be taxable income.

6.3.2.3 *Information about the reporting duty*

Taxable income must be reported to the Danish tax authorities, and, in this connection, the bank has been in a dialogue with the Danish tax authorities to establish who is subject to the reporting duty in relation to the taxable amounts in connection with payment of compensation to the bank's customers.

According to the bank, the Danish tax authorities have assessed that the customers themselves must state the amount in their tax assessment notice and that the bank is thus neither under a duty nor entitled to report amounts. The bank has therefore instead advised customers of the reporting duty. For example, the letters sent by the bank to customers indicate how and in which field they must enter the amount when reporting to the Danish tax authorities (see section 6.3.4 on communication to customers).

6.3.2.4 Additional comments

We note that, in connection with the clean-up under Programme Athens, the bank has also obtained external advice on the question of the customer's tax liability in cases where compensation of the customer is made in full or in part by setting off compensation against registered outstanding debt.

In January 2022, the bank's adviser assessed that the tax liability in this connection would be independent of how the bank chooses to compensate the customer. If compensation takes place by setting off the compensation against the customer's outstanding debt, the bank's adviser therefore finds that the compensation amount in question will still be taxable if tax liability would apply in the case of payment of compensation. However, it is not clear from the advice obtained when the tax liability in this connection occurs if the final offsetting is awaiting the bank's correction of data.

On 9 May 2022, the bank informed us that the bank took note of the advice given in relation to the tax treatment. In this connection, we note that the bank, in a conclusion letter to customers about additional

issue no. 10 (*home*), informs the customer that the customer's compensation has been set off against the customer's debt, but that the customer will receive an amount to cover the tax and how the customer is to report to the Danish tax authorities. In the letter, allowance thus seems to be made for taxation in cases where the compensation is set off against debt/debt is reduced. However, we have not received any further information from the bank about how the advice has been implemented in the bank's approach to the various issues. We will therefore follow up on this in our further investigations.

6.3.3 Compensation of customers for tax claims

As described above in section 6.3.2, the bank has established guidelines for assessing the customer's tax liability in connection with the payment of compensation amounts and related time compensation through a dialogue with the Danish tax authorities and external legal advisers. Where the payment of compensation is assessed to be taxable in whole or in part, the bank has also established an approach to calculating compensation for the tax claims in question (so-called tax compensation).

As mentioned in our report of 31 October 2021, the bank has thus adopted a principle according to which it will compensate customers for any tax claims that the customers may be faced with as a result of repayment and compensation by the bank. The bank has also informed the customer of this in the letters sent to the customers in connection with the payment of compensation since May 2021.

6.3.3.1 Decision about the calculation of tax compensation

On 9 December 2021, the bank made a decision on how to calculate tax compensation. According to the bank's decision, the bank calculates and pays tax compensation on its own initiative based on a Danish average income tax rate of 37.8% for personal customers. In addition, if the customer is liable to pay top-bracket tax in the year in which compensation is paid, the customer may request payment of additional tax compensation, and the customers are guided on this in letters from the bank (see section 6.3.4). For business customers, the bank has decided to calculate and pay tax compensation based on the corporation tax rate. On the other hand, the bank has not yet decided on any tax compensation for bankruptcy estates, as this, as we understand it, awaits the handling of additional issue no. 1.

The bank uses the above procedure for calculating and paying tax compensation in relation to both the four root causes and the additional issues. It should be noted, however, that in relation to some of the additional issues, the bank has decided not to compensate customers for any tax claims due to specific circumstances (see section 6.3.3.2 below for details).

According to information received, the bank's calculation of the tax compensation is based on the compensation amounts that the bank considers to be taxable income, including time compensation. This is a

simple calculation that ensures the customer is paid a total amount (including tax compensation), which ensures that, after taxation, the customer is left with the calculated compensation amount and time compensation. According to information received, the intention is that the calculation is applied across all issues where the bank has decided to compensate the customers for the tax on the compensation amounts.

At present, the bank has decided to pay tax compensation in relation to the four root causes, additional issue no. 10 (*home*), additional sub-issue 16a and additional issue no. 19. Whether tax compensation is paid for the entire amount received by the customer depends on the specific issue (see section 6.3.2 for more details).

6.3.3.2 Special information about the bank's approach to additional issues nos. 2 and 14

Even though the bank has decided to pay tax compensation to its customers in general, the bank has chosen a different approach with regard to additional issue no. 2 (Helios) and additional issue no. 14 (Eos).

For additional issue no. 2, the bank has decided not to compensate customers for tax claims arising from the payment of compensation. The background to this is that the compensation amounts are very small, which is why the bank is of the opinion that paying tax compensation is not meaningful.

For additional issue no. 14 (Eos), the bank has also decided not to compensate customers for tax claims arising from the compensation payment. The arguments for this seem in this connection to be the same as those mentioned above in relation to additional issue no. 2. In this connection, it should also be noted that the systems at Nordania can, according to information received, make an exact calculation of the customer's losses, which is why this part of the repayment is not considered taxable.

In continuation of the above, the bank has stated that Programme Athens does not set a general limit on when an amount is deemed to be too small for tax compensation to be paid. According to information received, this will be based on a specific assessment of the individual issue, including, among other things, specific circumstances, and how the calculation of the customer's loss is made.

In this regard, we note that the bank's obligation to pay compensation for any tax claims arising from compensation payments will probably depend on specific circumstances in the individual case. In this connection, we have not investigated specific cases. However, as described in section 7.9 of our report of 31 October 2021, the bank seems generally to provide guidance to customers on the possibility of reporting indirect and additional losses via the bank's website. In our opinion, the bank's customers will continue

to be able to contact the bank about a potential claim for tax compensation and that such claim will be processed specifically by the bank.

6.3.3.3 Special information about tax compensation in relation to the four root causes

According to information received, customers who were affected by the four root causes and received compensation from the bank in 2021 received a follow-up letter from the bank on 24 March 2022. According to the bank, out of the 5,275 customers entitled to compensation due to the four root causes, 5,142 customers have received letters in cases where, according to the bank, tax compensation calculated in accordance with the guidelines described above in this section could be paid. The bank has also confirmed that the tax compensation has been paid to the customers entitled. The remaining 133 customers have neither received compensation nor received a letter, which is due to the same circumstances as described above in relation to the four root causes, and in particular to the fact that the customer has died, that the bank has not been able to find an account to which to transfer the money, that NemKonto accounts have been blocked or that the bank handles issues in relation to its AML controls.

We have received a copy of the letter templates in question and can see that the bank has also advised customers about the procedure for reporting the tax and the possibility of submitting additional claims to the bank if the customer is liable to pay top-bracket tax in the income year in which compensation is paid (see section 6.3.4 below).

6.3.4 Communicating to customers

Following the bank's clarification of tax liability and the subsequent decision about the tax compensation approach made in December 2021, the bank has prepared letters informing customers about the tax liability of the compensation amounts, about the payment of tax compensation (in cases where this has been decided) and that the customer must report the taxable amounts to the tax authorities. In general, the bank's approach is to ensure that customers are provided with sufficient and correct information to report their tax liability.

In this connection, separate letters have been prepared and sent in respect of the various issues. In general, the bank informs the customers that, where it has been decided to pay compensation for tax claims, they will receive compensation to cover the tax on compensation and that the tax compensation is calculated on the basis of Danish average income. If the customer is liable to pay top-bracket tax, the customer is informed that the customer is entitled to additional compensation and must contact the bank with information about the latest payslip and tax assessment notice. The customer is also informed of the amount that the customer must specify in the tax assessment notice for the respective year in field 20 "Other personal income".

The bank is seen to advise customers on the reporting duty in all conclusion letters, regardless of whether tax compensation is paid or not. In the letters, the bank takes this into account in the event that part of the total compensation amount is not considered taxable in view of the respective compensation type, in which case the bank will advise the customer. This is the case, for example, with additional issue no. 10 (*home*) and additional sub-issue 16a. The customer is also referred to the website of the tax authorities.

In relation to the bank's communication to customers regarding additional issue no. 14 (Eos) and additional sub-issue 16a, we refer to our comments in section 9.4.14 and section 9.4.16.2, respectively.

6.3.4.1 Special information about communication in relation to the four root causes

In 2021, customers affected by the four root causes were compensated for the overcollection that had taken place and received additional compensation for the period during which the funds should have been available to the customer (time compensation). In this connection, the bank promised to return with information about possible taxation of the amount when the bank had received clarification from the Danish tax authorities. Having received clarification from the Danish tax authorities, the bank prepared a letter to the customers, informing them that the compensation received by them in 2021 was taxable. As mentioned above, the letter regarding the payment of tax compensation was sent to 5,142 customers out of the 5,275 entitled customers on 24 March 2022.

In addition to the above information about what the bank generally informs customers about in the letters, the bank distinguishes in its letters between the tax liability for the compensation already received by the customer in 2021 and the tax liability for the tax compensation which the customer will now receive in 2022. The customer is informed that the customer must specify the respective amounts in the tax assessment notice for the year in which the amounts are paid to the customer.

As opposed to other compensation letters, we note that the letter about the four root causes does not specify the elements of compensation for which tax compensation is calculated. The customer is only informed of the total amount paid out in 2021. If the customer reads the two letters together – the letter about payment of compensation from 2021 and the letter about tax compensation – it should, however, be clear to the customer how the total amount has been calculated.

7. CROSS-ISSUE THEMES

In section 3.2.1 of our report of 31 October 2021, we stated that, in our opinion, it would be expedient for the bank to apply a more holistic analysis method in its approach to the errors found in its debt collection systems, including to ensure that any additional errors were detected and addressed more quickly.

In this connection, we stated, among other things, that the bank's working method, under which several different analysis teams work in parallel to identify and remediate various additional issues, see section 9 below, entailed a risk that the bank did not make more holistic assessments of the need for action until late in the process. We also stated that the sequential handling of the additional issues in itself involved a risk that the basis for earlier conclusions was not re-considered when subsequent analysis results could give rise to such reconsideration. Finally, we pointed out that the parallel work processes, combined with the extensive Programme Athens organisation, could lead to the bank only at a late stage responding to new knowledge obtained in connection with the work of one of the many research teams. In general, we concluded that it would be expedient for the bank to strengthen its work processes to take into account the risks outlined above, including by ensuring, as stated above, a more holistic approach to the analyses carried out when errors have been found in an area.

An example of an area in which such a holistic approach has been particularly useful is the area that deals with the bank's calculation and handling of interest, which (directly or indirectly) is of importance to almost all other collection processes. In addition, we also see a need for a holistic approach in relation to the bank's set-off in connection with compensation of customers and in relation to tax reporting regarding customers' debt.

As stated in section 9.2, we have noted that, following our report of 31 October 2021, the bank has taken a number of steps to ensure a more holistic analysis approach, particularly in areas in which there is a risk of error interdependency. This is particularly evident in the areas mentioned above for calculation of interest and set-off, while the bank's work on handling tax reporting still seems to be less holistic. However, on 24 May 2022, in connection with consultation regarding this report (see section 1.2.1), the bank stated that it initiated a tax remediation programme at the beginning of 2022 (see section 7.3).

In connection with consultation regarding this report, see section 1.2.1, the bank pointed out to us that in the autumn of 2021, it carried out a top-down analysis of its debt collection. According to information received, this analysis has strengthened the bank's view that no areas have been overlooked in the bank's approach. However, we have not gained any further insight into this analysis, and we will follow up on this with the bank.

7.1 Interest-related issues

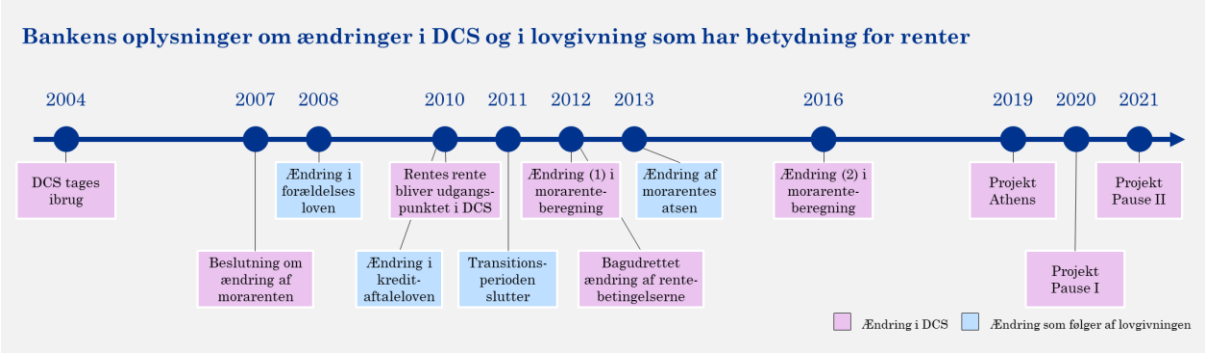
7.1.1 Interest as a theme in root causes and additional issues

As described in our report of 31 October 2021, several additional issues, and partly the four root causes, relate to the bank's calculation and addition of interest and handling of interest in connection with collection, including the handling of time-barring for individual interest items. There also seems to be correlation between several of the errors that the bank has identified so far and the basic functionality used for calculation of interest in the DCS.

The DCS was originally designed to calculate interest on interest accrued, i.e. compound interest, and according to information provided by the bank, the system was thus originally unable to calculate simple interest.

However, over the years (2004 – today), the bank's calculation of interest in the DCS has been affected by a number of changes due partly to legislation and partly to internal factors at the bank, for example business decisions to introduce new interest rate provisions in customer agreements. In this connection, the bank has explained a number of changes made to the bank's calculation of interest during the relevant period. These changes are illustrated by the timeline below:

Figure 8 – The bank's information about changes in the DCS and legislation that affect interest (illustrated on the basis of information from the bank)



The additional issues that the bank has identified in relation to interest seem, for the most part, to have arisen in connection with legislative, system or business-related changes.

For example, according to information received, in 2010, the bank decided to change the interest rate in the DCS called 'pre-judgement interest rate', to a simple interest rate. The change was implemented in 2012. Since 2012, the bank's DCS has thus operated with compound interest as well as simple interest. However, the solution chosen has led to certain issues/errors. A special issue relates to the calculation of the so-called 'pre-judgement interest rate', since this does not correspond to the statutory interest rate stated in section 5 of the Danish Interest Act, which is a simple interest rate. Under additional issue no.

27, the bank deals, among other things, with the question of whether the contractual basis for the individual customers in the period up to 2012 actually supported the bank's right to charge compound interest, even if the basis for the 'statutory interest rate' under section 5 of the Danish Interest Act is a simple interest rate. Reference is made to additional issue no. 39 below, which concerns the basis for calculating simple interest after the change in 2012, where the bank has also calculated compound interest on so-called 'interest acknowledged as owed'.

In addition, at 1 January 2016, the bank implemented a business change that, according to information provided by the bank, was intended to help customers who were unable to repay their debt. The change was aimed mainly at collection customers who paid the so-called 'pre-judgement interest rate' in the DCS. However, the change has had a number of unintended consequences, which are addressed under additional issue nos. 17 and 24.

Further examples of interest-related issues include

- Additional issue no. 20 concerning discrepancy between the contractual basis with the customer and the interest calculation in the DCS, whereby the interest payment specified in the agreement could be lower than the interest actually calculated by the DCS and charged to the customer. In this connection, the bank has identified the following concurrent causes: 1) inadequate quality control when establishing agreement documents, 2) inadequate it governance and 3) inadequate product governance.

- Additional issue no. 22 concerning discrepancy between a master account and a term deposit account, which concerns a number of cases in which the interest rates on the master account and the term deposit account are not correctly aligned. The bank believes that the solution requires, for example, changes to products with a view to simplifying the bank's approach to interest, including 1) by applying only simple interest in future, 2) by limiting access to special customer agreements and 3) by implementing system support to ensure alignment between the two accounts.

- Additional issue no. 24 concerning the lack of transparency for the customer about the consequences of changing the interest rate type. In this connection, the bank points to five concurrent causes; 1) high system complexity; 2) inadequate product and organisational management; 3) lack of controls; 4) inadequate work descriptions and business procedures; and 5) inadequate training of employees regarding available interest rates.

In addition, a number of issues have been identified in the DCS that affect the debt on the basis of which the DCS calculates interest. This involves, for example, root causes 1 and 2, according to which a portion

of the debt on the basis of which interest is calculated may be time-barred, and additional issue no. 8, according to which the basis for interest calculation may be affected by too high legal costs.

In our work, we have identified the following general "causes" of the errors that mainly concern the bank's handling of interest:

1) a high degree of complexity in the application of interest rates and interest calculation principles, including inadequate product management
2) inadequate system support
3) inadequate testing of system changes
4) inadequate checks to prevent and identify errors
5) inadequate work descriptions and business procedures
6) inadequate training of the bank's employees

These issues are seen to exist across the entire interest area, which supports the need for a cross-issue approach to identifying and solving issues.

7.1.2 Cross-issue analysis of interest-related issues

As a result of the scope of interest-related issues in the DCS, the interdependencies and the consequences of them, the bank has, according to information received, initiated an analysis of the risks for customers based on a more cross-issue approach (top-down).

The purpose of the analysis mentioned is to ensure that the bank does not – in connection with its work to correct the errors identified in the system on an ongoing basis – focus too narrowly on the issues that have been identified, including the risk that other related issues will not be identified and remedied.

As an example of this more cross-issue analytical and risk-based approach, the bank has presented examples to us in which issues are grouped by more general (risk) themes, such as lawsuits, reporting to the Danish tax authorities, account and payments administration, interest rates, updating and managing agreements, external business partners, etc.

The bank has also explained the more process-driven approach to this cross-issue analysis, as it has indicated that it will focus more on strengthening the dialogue internally, including among the teams working to solve the various additional issues currently covered by Programme Athens. Based on the bank's presentation of the work initiated, we believe that the work will lead to a higher degree of probability that all interest-related issues will be identified and addressed. In this connection, we will follow the bank's progress and continued work.

For the sake of good order that, according to information received, we note that the bank has not since October 2020 added interest on customers' debt in the DCS or the PF system, and that the issues identified do not currently lead to a still incorrect addition of interest in the collection systems. Reference is made to section 4.2 regarding the bank's Pause logic. However, an overall solution in the area of the bank's calculation and handling of interest is seen to have a significant impact on the bank's ability to resume debt collection and in future add interest on the customer's debt correctly.

7.2 Offsetting

Section 7.7. of our report of 31 October 2021 describes how the bank's models for calculating compensation for root causes 1 and 2, in both the DCS and the PF system, contain mechanisms that take into account whether the payments that have covered time-barred debt could instead have been used to cover another legally enforceable debt on the account. Only after the reallocation of payments will the models determine whether the customer should receive an amount as a result of overcollection.

The compensation models for both collection systems thus assume that an amount is paid to the customer only if no outstanding debt is registered in the account, which the amount could cover instead. As described in our report of 31 October 2021, full compensation of the customer for the four root causes will therefore require a later set-off against the customers' registered outstanding debt in the account on which the compensation calculation was based. As also stated in our report of 31 October 2021, it is an inherent weakness of this model that the outstanding debt write-down in connection with the calculation of a cash compensation may be affected by one or more of the additional issues.

In connection with this report, we have regularly monitored the bank's efforts to compensate customers, including the bank's approach to set-off against any debt outstanding to the bank. In this connection, we have, in relation to the additional issues, found certain preconditions about set-off against outstanding debt that, in connection with the bank's compensation processes, pose a potential risk, including the risk that the same debt is used for set-off several times as a result of non-correction of data in the bank's systems (so-called write-back), see immediately below.

7.2.1 Set-off/reallocation of amounts and calculation of outstanding debt

In relation to the four root causes, we noted in our report of 31 October 2021 that full compensation of the customer as a result of root causes 1 and 2 will not be completed until both set-off against the outstanding debt on the account and payment of relevant amounts to the customer have been made.

In this connection, we note that the actual set-off (correction of data in the bank's systems) is still awaiting an overall solution for correction of data in the bank's collection systems (so-called write-back). Thus, a proportion of the customers cannot yet be considered to have received full compensation, as the customers are still registered in the bank's systems with an incorrectly calculated outstanding debt that must be expected to be offset in full or in part by the bank's later set-off or reallocation of payments to the account.

We understand that it is not possible for the bank in all cases to inform customers of the amount reserved in the data models to cover other legally enforceable outstanding debt on the account. In this connection, we have asked the bank to state whether the bank intends at a later stage to send a set-off statement to the individual customers who have not received cash compensation and, if so, when this is expected to happen.

With regard to the above, the bank has stated that it is aware of the problem concerning erroneous outstanding debt amounts and the lack of set-off statements, and that such statements should be sent in cases where set-off will be made. According to information received, in such cases, set-off statements will be sent when the bank is ready to make corrections to data in its systems. In this connection, the bank has not yet clarified in which cases set-off will be made and a set-off statement sent, or when the bank will merely inform the customer of a reduction of the balance.

When data correction will take place remains to be determined, but as described in section 6.1, the bank is working initially to close those cases in which the customers have received compensation and the customer's account therefore must be closed because the bank considers the balance to be zero. We have not gained any insight into the specific time horizon for this.

7.2.2 Set-off in connection with additional issues

As described in section 6.1, the bank has presently completed or started the process of compensating customers in relation to several of the additional issues. In this connection, we see that, in relation to several of the additional issues, the bank carries out set-off against the outstanding debt of customers before any remaining compensation amount is paid.

So far, we have found that the bank has either carried out or intends to carry out set-off in relation to compensation for affected customers in respect of the following additional issues:

- **Additional issue no. 2 (Helios)**
  The calculation model for DCS cases takes into account any final write-off of debt. If, within five days before the closing of the account in the DCS system, an outstanding debt exceeding DKK 500 has been written off as a result of a business decision, the calculated compensation amount will

be set off against the final write-off. However, according to information received, the customer does not receive a set-off statement since the bank merely informs the customer that the customer is not entitled to compensation as a result of this issue. Reference is made to section 9.4.2.

- **Additional issue no. 10 (*home*)**
  Before payment is made to the customer, the bank sets off the calculated compensation amount against any outstanding debt registered in the bank's debt collection systems (the DCS and PF systems) to the extent that the outstanding debt derives from a property sale in which a loss is accepted. In several cases, set-off takes place on a so-called connected set-off basis, which means that obsolete or deleted debt is also covered. The bank has obtained external legal advice on this matter. Reference is made to section 9.4.10.

- **Additional issue no. 14 (EOS)**
  The bank's set-off in relation to this issue concerns debt outside the debt collection systems since additional issue no. 14 concerns Nordania's Leasing Core system. According to information received, the approach to compensation for this issue does not imply set-off against outstanding debt registered in the bank's debt collection systems. Reference is made to section 9.4.14.

- **Additional sub-issue 16a**
  The bank distinguishes between cases where the customer still has a legally enforceable debt registered in the MDS mortgage system and cases where the customer's outstanding debt has been transferred to the DCS system for debt collection. In the first cases, the bank carries out set-off against any arrears registered in the MDS system in respect of the individual mortgage, and this means that set-off is carried out against outstanding debt outside the DCS and PF debt collection systems. In cases where the customer's outstanding debt has been transferred to the DCS system, we see that the bank carries out set-off against any outstanding debt still registered in the DCS system. Reference is made to section 9.4.16.

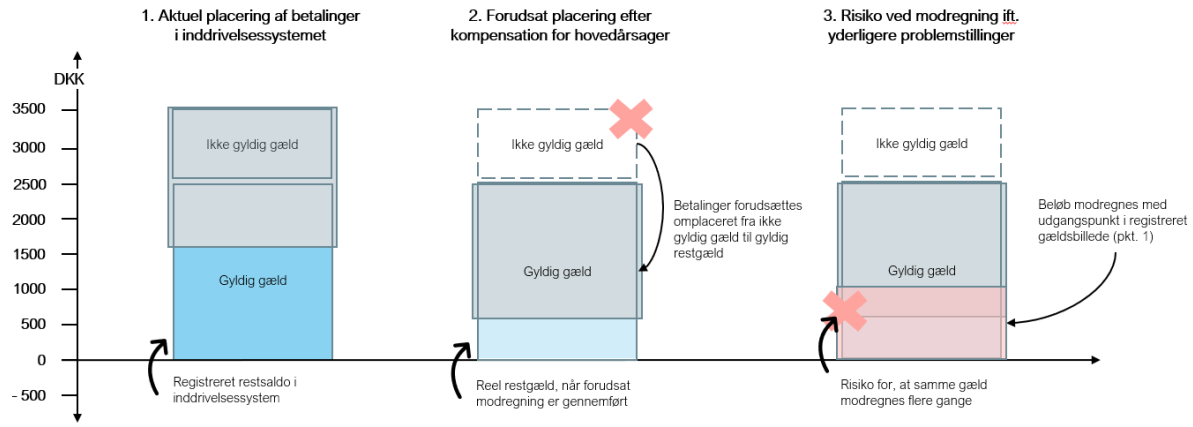
In connection with additional issues nos. 2, 10 and 16a, we see that the bank carries out set-off against debt registered in its debt collection systems. This entails a risk that the amount will be used for covering outstanding debt that is not legally enforceable. The amount of outstanding debt registered may thus be affected by both the four root causes and the other additional issues. If the bank's set-off cannot be considered to be connected, the bank will not be entitled to carry out set-off in cases where the debt is time-barred. Furthermore, the bank may not carry out set-off against a debt that could not be legally claimed to be paid by the customer (for example, additional issue no. 6 on wrongfully charged interest and additional issue no. 8 on wrongfully charged costs).

In addition, when set-off takes place in the debt collection systems, there is a risk that compensation amounts are set off against debt that is already assumed to be covered by rebooking/set-off in other models used by the bank for calculating compensation, including for the four root causes, or another additional issue.

As described in section 7.7 of our report of 31 October 2021, the bank performs its compensation calculation for the four root causes via data models or by manual processes next to the bank's debt collection systems. Thus, no actual correction of data in the systems is made, and any outstanding debt will remain unchanged in the debt collection systems, even if it is reserved for subsequent set-off in the data models for the four root causes. As mentioned in our report of 31 October 2021, correction of data in the systems awaits a number of factors, including the preparation of separate models for this purpose as well as IT support for the process. In connection with set-off, the bank must ensure that no set-off is carried out against any outstanding debt that has already been "reserved" or used for calculation purposes for set-off against other compensation amounts, and that the outstanding debt is not otherwise legally unenforceable or erroneous in a way that excludes set-off.

We have tried to illustrate the set-off issue in the figure below:

Figure 9 – Illustration of the set-off issue (our illustration)



In connection with our work on additional issue no. 10, we have asked the bank to explain how, in connection with the set-off carried out, the bank has ensured that set-off is not carried out against an amount that is already assumed to be covered by set-off or that must be considered to be legally unenforceable as a result of the root causes identified and the additional issues.

As described in section 9.4.10, in relation to additional issue no. 10, the bank has made a specific assessment of the risk associated with carrying out set-off. We understand that, when set-off has taken place, the bank has used the statistical model (see section 7.3.2 of our report of 31 October 2021) to check whether the customer subsequently is at risk of overcollection as a result of root causes 1 and 2. On the basis of the analysis made, the bank has assessed that there is no significant risk that the bank may thus set off an amount that exceeds the customer's actual outstanding debt, taking into account the bank's compensation for the four root causes. We have not yet obtained sufficient insight into the controls carried out to allow us to finally assess the bank's approach and the risk associated with it (see also section 9.4.10 for a more detailed description).

In relation to additional issues nos. 2 and 16a, we have received information about the bank's procedure and set-off too late for us to follow up on this in this report. In relation to these issues, we have not received a description of the bank's analyses prior to or in connection with set-off against the outstanding debt of customers, including set-off against any debt written off as a result of a business decision. Thus, we are unable to make a final conclusion on the matter in this report.

We have also noted that, in relation to additional issue no. 10, the bank has received external advice that supports the bank's possibility to set off on a connected basis. In this context, we do not have a complete overview of how such connectivity considerations are applied by the bank in relation to the bank's set-off, including whether connected set-off is also carried out in relation to other additional issues and what the effect will be on the current amount of interest charged on the debt[2] will be. Since the specific approach may affect whether customers can be considered to have been fully compensated, we will revert to this matter in our further investigation.

We note that there is generally a risk associated with setting off an amount against outstanding debt registered in the debt collection systems, given the currently many additional issues that have not yet been remediated and the fact that data has not yet been corrected in respect of the four root causes. Despite the plans described above, the bank has not provided documentation to the effect that it has implemented and applies an adequate method to address this risk, which makes it difficult to assess the question of compensation in relation to the additional issues where the bank carries out set-off in connection with the calculation of compensation or the payment of compensation.

In continuation of the above, the bank has informed us that it is working on establishing a database to ensure that the bank has a better overview of the possible impact that the respective additional issues

[2] The difference between connected and non-connected set-off is mainly that connected set-off can generally be carried out irrespective of whether a debt has become time-barred or whether the bank's claim has been written off.

may have on the individual customer's account. According to the bank, this will allow the bank to regularly assess its possibilities for or the risks associated with set-off in connection with future compensation payments in relation to additional issues. We understand that the database is expected to give the bank a comprehensive overview of customers and accounts and of the additional issues that may affect the customers in question and the consequences for any outstanding debt registered.

In our further investigations, we expect to revert to this theme since the bank's set-off against outstanding debt is considered to pose a potential risk of error if the necessary and relevant reservations are not made in this connection. As stated above, the bank has made a specific plan for dealing with this problem, but this plan has not yet been implemented in the programme.

7.3 Issues concerning tax reporting

Several additional issues concern errors in the bank's statutory reporting to the Danish tax authorities. Examples of such tax-related issues are as follows:

- Additional issue no. 11 on errors in the bank's tax reports due to uncertainty about the outstanding debt registered in the debt collection systems

- Additional issue no. 23 on errors in the bank's use of reporting codes for cancellation of debt in connection with, among other things, the customers' change of interest terms

- Additional issue no. 26 on incorrect registration of guarantors in the bank's debt collection systems with consequent errors in tax returns

- Additional issue no. 38 on the lack of processes for closing cases where a customer's debt has been repaid, which results in continued reporting to the Danish tax authorities in respect of the customer

Generally, a number of the errors detected – both the root causes and the additional issues – affect the bank's ability to report a correct amount of outstanding debt. All the additional issues that involve potential claims for compensation or correction of the customers' outstanding debt raise doubts about the accuracy of the debt information reported to the tax authorities. In this connection, on 21 April 2022, the Danish FSA ordered the bank to

– *take the necessary measures to ensure that the bank reports correct data about interest and outstanding debt to the Danish tax authorities for customers who have received compensation after a*

recalculation of their debt to correct errors due to the four root causes. This also applies to customers who will receive compensation in future and therefore do not have any outstanding debt to the bank. In addition, the bank must inform these customers individually thereof.

- *inform other customers whose debt will expectedly be reported at an incorrect amount to the Danish tax authorities in 2022 and thereafter.*

In connection with the reports to the Danish tax authorities in January 2022, we note that the bank has advised potentially affected customers that, due to the errors in the bank's debt collection systems, errors may still be found in the tax assessment notices and annual updates received by customers for the 2021 income year as a result of errors in the reports to the Danish tax authorities.

According to information received, the bank has not yet established a final process for handling customer cases that must be closed after the customers have received a cash compensation for overcollection. Furthermore, we note that the bank has not yet considered how to handle corrections to the tax reports. However, on 24 May 2022. in connection with the consultation process described in section 1.2.1, the bank informed us that it established a separate tax project at the beginning of the year. As supporting documentation, the bank has sent us three slides showing that the project deals with the following themes:

1. Questions about deductions in cooperation with the Danish tax authorities
2. Correction reports
3. Guarantors
4. Two or more debtors
5. Arrears flagging
6. Debt service codes
7. Annual and periodic tax reports

It also appears from the bank's slides that there may be additional relevant themes. We have not yet obtained any further insight into this project or its plan.

We also note that, despite what was stated in section 9.4.11 of our report of 31 October 2021, the bank has informed the Danish FSA that, in January 2022, reports of outstanding debt were again sent to the Danish tax authorities for up to 1,360 customers, who, after the bank's compensation for the four root causes, are no longer deemed to have any debt to the bank in the cases in question (see section 9.4.11.3 below). In our opinion, this incorrect reporting should have been avoided, and the bank should make a correction report as soon as possible to reflect the fact that, at the turn of the year, the bank no longer believed that it had any claims against the customers in the cases in question. We expect to follow up on this subject in our further investigation of the bank's work on additional issue no. 11.

In our opinion, the bank should ensure that efforts are made to avoid further incorrect reports across all outstanding issues that may affect the bank's tax reports and, as quickly as possible, to correct incorrect reports sent to the tax authorities.

8. THE FOUR ROOT CAUSES

As described in our report of 31 October 2021, the bank has identified four issues that are referred to by the bank as the root causes. At the time, we noted that the description 'root causes' had been chosen by the bank and was therefore maintained in our reporting. However, a number of the additional issues identified are similar to the root causes and may also affect whether the bank has a legally enforceable right to collect a claim against a customer and whether the claim is correct.

The root causes comprise the following:

Root cause 1:	The principal amount, interest and fees were merged in the bank's debt collection systems, thus leading to incorrect handling of limitation periods for interest etc.
Root cause 2:	The limitation dates were registered incorrectly in the bank's debt collection systems, thus leading to incorrect handling of limitation periods for the bank's claims.
Root cause 3:	In a number of cases, guarantors were incorrectly registered as co-debtors in the bank's debt collection systems, and this may have led to wrongful debt collection in respect of the individual guarantors.
Root cause 4:	Missing link between two or more co-debtors in the bank's debt collection systems may have caused the bank to collect more than the actual amount of total debt.

All four root causes were found in the bank's own debt collection system, DCS, whereas only root cause 1 was found in the PF system, which is used for collection of debt on behalf of Realkredit Danmark. Root causes 1 and 2 occurred on an ongoing basis as general
errors in connection with the establishment of debt in the debt collection systems and in connection with the transfer of debt from previous debt collection systems to DCS at its introduction in 2004. Root causes 3 and 4 occurred, however, solely in connection with the transfer to

DCS in 2004. Please refer to section 5 of our report of 31 October 2021 for a detailed description of the errors and their consequences.

At the time of our report of 31 October 2021, the bank had already paid compensation to most of the customers that the bank had deemed eligible for this. In addition, a Pause logic had been implemented with suspension of payment agreements and interest rate setting aimed at preventing the risk of further overcollection of customers. The bank thus approached the end of the process for compensation to customers as a result of the four root causes, although the final payments after the bank's QA processes were pending.

In this connection, in our report of 31 October 2021, we highlighted certain uncertainties and potential sources of error associated with the bank's approach, and in several areas, we were unable to express an opinion with any certainty due to the lack of or inadequate documentation. In this connection, the following sections contain our observations and follow-up on what was stated in our report of 31 October 2021 as well as our observations regarding the bank's further work within this area of its debt collection.

8.1 Preventive measures

In section 6.3 of our report of 31 October 2021, we described the bank's Pause logic, which at the time involved suspension of payment agreements in cases in which the customer had repaid more than 60% of the debt registered in the debt collection system. In this connection, we noted that the 60% threshold regarding root causes 3 and 4 would not protect the customer from overcollection if the debt had already been paid by a co-debtor. At our request, the bank
confirmed that this was correct.

As mentioned in section 4.2, at the end of 2021, the bank introduced an extended Pause logic, which means that all payment agreements have now been suspended, unless a customer wishes to continue making repayments. With the implementation of the extended Pause logic, we believe that the risk of future overcollection from the affected customers must be considered insignificant, unless a customer chooses to continue making repayments. See section 4.2 for a detailed description of the extended Pause logic and the bank's implementation of it.

As the bank has not yet considered all issues and has not yet completed any correction of data, customers who continue to make repayments remain at risk of overcollection. It may therefore later be necessary for the bank to compensate some of these customers if (further) overcollection is found to have occurred due to the errors in the bank's debt collection systems. At present, however, the bank has not implemented a decision-making process, and it is therefore not possible for the bank's debt collection customers to settle their debt with the bank without the risk of repaying an excess amount. The bank is therefore currently

considering the possibility of introducing a supplementary measure to safeguard against the risk of over-collection. See section 4.2.3, which describes the bank's considerations.

8.2 Compensation of affected customers

8.2.1 The bank's approach to compensation and documentation

In our report of 31 October 2021, we described the data models used by the bank to recalculate cases in the debt collection systems with the aim of investigating the issue of overcollection and whether, as a result of the four root causes, customers may be entitled to repayment and compensation.

In this connection, we noted that certain factors gave rise to uncertainty about the bank's approach, and we have therefore followed up on these in this report, see immediately below.

8.2.1.1 Documentation of the bank's data models

In section 7.2 of our report of 31 October 2021, we noted that the documentation submitted for the models used by the bank for the recalculation of cases and for the calculation of compensation as a result of the four root causes was provisional versions, which were still available only in draft form.

The model documentation therefore generally did not provide a complete picture of the models and the underlying assumptions and choices. However, the documentation for the DCS model was generally more detailed, whereas especially the documentation for the PF model in several areas appeared very preliminary and did not deal with all relevant aspects of the model. In addition, the documentation for the statistical model and the models for root causes 3 and 4 did not contain a description of material aspects regarding the customer groups to which the models were applied.

For the purpose of this report, we asked the bank to send us final and approved (i.e. actually used) versions of documentation for the data models used for root causes 1-4. In this connection, we also asked the bank to highlight any material changes to the version we had previously received. We have subsequently on an ongoing basis corresponded with and been in dialogue with the bank on this matter.

In this connection, we have received only an updated version of the model documentation relating to the DCS model (see section 7.3.1. of our report of 31 October 2021), it being noted that the bank emphasized that many details in relation to processes and technical aspects were added to the documentation but that the overall calculation and methods were the same as described earlier. Accordingly, we can conclude, from our review of the approved version, that the version approved is merely additions and not changes to the model previously described. Among other things, the bank has added a section on the

technical documentation so that, for example, developers can use it if later changes are to be made to the model or if specific cases are to be processed again later via the model. A section on administration and controls has also been added, in which the bank describes, among other things, various testing rounds and testing of results. The section also describes the process from calculating compensation until the handover of the calculation to the department responsible for payment and information to customers.

On the other hand, we have still not received final versions of model documentation for the remaining compensation models. In this connection, the bank has stated that there are currently no changes in the documentation for the data models used for root causes 1-4. Consequently, the versions previously sent to us in connection with our report of 31 October 2021 have not been adjusted subsequently. In relation to the documentation for the PF model, the statistical model and the models for root causes 3 and 4, we therefore refer to our comment in our report of 31 October 2021, as the bank's documentation still does not show a complete picture of the approach used in calculating compensation. However, the bank has stated that we will receive the updated versions when they have been reviewed by the bank's Model Risk Management.

8.2.1.2 Assumption used in the DCS model for repayments received through debt collection agencies

In section 7.3.1 of our last report, we noted that an assumption in the DCS model may have led to an incorrect result in the calculation of compensation in the model in some cases. The assumption is that any repayment received through an external debt collection agency has been considered an action that suspends the limitation period. The bank has confirmed to us that this may not be a correct assumption in all cases.

In February 2022, the bank informed us that this assumption in the DCS model is now being considered as part of additional issue no. 13. We will therefore revert to this matter as part of this issue when the bank has progressed in its analyses (see section 9.4.13).

8.2.1.3 Limitation period in cases in the PF system involving non-forced sales of property in which a loss is accepted

In section 7.4 of our report of 31 October 2021, we noted that some inconsistency existed in respect of the information provided by the bank about the dates used for calculating limitation periods in cases involving non-forced sales of property in which a loss is accepted (so-called I-02 cases in the bank's debt collection system). We noted that the bank had informed us that it would provide a detailed description of this, but that such information had not been received at the time of submission of the report.

In December 2021, we asked the bank to follow up in writing and to state the date that is used as the start date of the limitation period in cases involving non-forced sales of property in which a loss is accepted in the PF system and the PF model, respectively, why a given date is chosen and how a case officer identifies that date. The purpose of this request was to clarify the uncertainty about the bank's registration of limitation dates in the PF system, which in the PF model is used as the basis for assessing whether a customer may have made repayment after the expiry of the limitation period for the debt.

Despite having discussed this with the bank for quite some time, we have still not obtained sufficient insight to make a conclusion regarding the bank's approach in this respect. The bank's information has not been consistent, and we have received information that gives rise to uncertainty about the bank's approach during the process. Most recently, on 24 May 2022, we received new information from the bank, which does not appear to correspond with previous information. We will therefore continue to follow up on this matter regarding the setting of limitation periods in the PF model (and the PF system in general), as this is of crucial importance to the bank's collection of debt and compensation of customers.

In our opinion, the lack of consistency in the bank's response underlines the need for a comprehensive and adequate documentation of the model used by the bank to recalculate customers' cases in the PF model, which, as mentioned above, is still not available.

8.2.1.4 Handling of guarantors in connection with root cause 4

In relation to root cause 4, the bank's model documentation also states that customers who may be affected to this root cause also count guarantors. In our report of 31 October 2021, we noted that the special circumstances that may apply to guarantors in this connection, including, for example, the type of guarantee, whether the guarantor is liable for the entire debt and what has been communicated to the guarantor in annual updates from the bank, etc. did not appear to have been taken into account.

In December 2021, we asked the bank to follow up in writing on the bank's handling of guarantors in relation to root cause 4, including why this was not specifically addressed in the model documentation for this root cause.

On 28 February 2022, the bank replied that guarantors, as a result of the definition of the issue in root cause 4, have not been treated differently than debtors in the model used for this root cause. However, the bank stated that the question had been raised in connection with the validation of the model and that changes to the model documentation would be shared with us when validation had been completed.

As stated above in section 8.2.1.1, we have not yet received this version of the model documentation mentioned by the bank. However, since the bank's reply regarding guarantors affected by root cause 4 gives

rise to uncertainty as to whether the bank's model has in any case ensured a sufficient assessment of the customer's potential claims against the bank, on 24 March 2022, we asked the bank in connection with compensation for cause 4 to consider from a business and legal perspective the fact that no separate decision has been taken as to whether a debtor could actually be a guarantor.

The bank has repeated is previous statement to us that, in connection with the compensation for root cause 4, the bank has not separately considered whether one debtor could actually be a guarantor. The bank's reply has not therefore led to clarification of whether or not the bank in any other way has or will consider whether the root cause may have had other consequences for the guarantor that the model has not taken into account, including, for example, the type of guarantee,
debt write-downs in favour of the original debtor, whether the guarantor is liable for the entire debt and what has been communicated to the guarantor in annual updates from the bank, etc. It has not been possible to obtain clarification of this at subsequent meetings with the bank, as the bank has merely referred to the fact that the matter would "perhaps" be covered by additional issue no. 26.

We have noted that the bank has created an additional issue no. 26 concerning guarantors (see section 9.4.26). However, the available material from the bank does not state whether the above will be addressed in this connection. In connection with our further work, we will follow up on this, including how the matter will be handled in connection with the correction of data.

8.2.1.5 The bank's approach in QA cases

In section 3.4 of our report of 31 October 2021, we described that complex cases, or cases with insufficient data in the system, were selected for manual processing by the bank's QA team. In this respect, we noted that, for cases in the PF system, and for root causes 3 and 4, we had very limited insight into the QA team's handling of these matters. On this basis, we asked the bank how the QA team assessed the cases.

In this connection, the bank has informed us that all QA cases have been processed manually by means of a specific and individual assessment where all relevant documents in the case have been reviewed. As a result, it has not been possible for the bank to prepare a general guide containing all the details of the manual case processing, as this has to a large extent been a specific review and assessment of each individual case.

As regards the PF system, according to information received, the bank has in the QA process examined the various elements of the principal amount transferred to the PF system, as there is a risk (due to root cause 1) that the principal amount, interest and fees have been merged. The bank has then, on the basis of the case processing in its entirety, examined and assessed whether the customer has paid too much. The bank has first reviewed the result calculated by the data model, after which the result and the case

have been assessed by a case officer. The bank states that the cases in the PF system may date as far back as 1982, and thus in some cases the material available has been considerable.

As regards root cause 3, according to information received, the bank has examined the original document to determine the debtor and the guarantor, respectively. This has been compared with what has been registered in the bank's systems to identify customers who may have been registered as debtors in error. For any guarantor identified, the bank has also reviewed the original debtor's case to ensure that any time-barring, composition with creditors or other matters that may affect the claim against the guarantor is taken into account. If, after the assessment, a customer was entitled to compensation, this was noted and communicated to the team handling the payment of compensation.

As regards root cause 4, the bank follows the same procedure as is used for the PF system and root cause 3 and reviews all relevant documents in the case. Accordingly, the bank has also for this issue reviewed documents in old archives and to take account of the payments made during the course of the case.

In section 7.5 of our report of 31 October 2021, we noted that the QA team had manually reviewed 1,040 cases in the PF system, 1,215 cases for root cause 3 and 234 cases for root cause 4. At a meeting, the bank has confirmed to us that this number of cases remains correct.

The approach described by the bank does not give us any reason to comment on this. However, we note that we have not examined specific cases in connection with this report.

8.2.2 The bank's payment of compensation

In our report of 31 October 2021, we described that the bank had identified 7,967 customers who were entitled to compensation due to the four root causes. At that time, however, all QA cases had not been processed by the bank's QA team, including due to the lack of calculation of interest, and the number of customers in this context thus had to be considered provisional.

The bank subsequently completed the QA work for the cases in question, and the total number of customers found to be entitled to compensation due to the four root causes was determined to be 7,796 customers.

According to the bank, compensation has currently been paid to 5,477 of the above 7,796 customers. The payment to the remaining 2,319 customers has been made difficult by specific circumstances, as 1,126 of these customers are covered by bankruptcy/probate cases. These customers will receive compensation when this has been coordinated with the Danish Court Administration. Compensation to the remaining 1,193 customers has been made difficult by other circumstances, including blocked NemKonto accounts

and issues in relation to the bank's AML controls. As mentioned, the bank has set up a working group to find general solutions for payments to customers who are blocked due to AML controls.

We note that the meeting materials from the bank's internal meetings in March 2022 show that 202 customers have not received compensation due to the four root causes as planned due to an error in the bank's process for payments in 2021. The error was discovered in connection with a manual QA review, and the bank has subsequently corrected the error so that, according to the bank, subsequent payments will not be affected. On request, the bank has stated that the 202 customers have now received compensation: payment of compensation to customers with a NemKonto account took place on 26 April 2022, while payment to other customers took place on 3 May 2022. However, some of the 202 customers may not have received their compensation due to the above-mentioned difficulties with payments.

8.2.2.1 Testing and validation

As described in section 7.6 of our report of 31 October 2021, the bank has stated that, in connection with the development of the data models for recalculation and calculation of customers' entitlement to compensation, the bank has ensured that the results of the models are tested and validated on an ongoing basis.

As regards the compensation models related to the four root causes, the results of the ongoing tests and validations (Gap analyses) were not made available to us until October 2021, and we did therefore not have the opportunity to review and evaluate these for the purpose of our report of 31 October 2021. In this connection, we stated that we would revert to this matter if the results in relation to other payment rounds would give rise to follow-up of the models or questions to the bank's conclusions.

We have now reviewed the test material submitted by the bank and have held meetings with the bank to gain an understanding of the contents and conclusions in the materials. In this connection, we note that the documentation is internal and therefore difficult for outsiders to assess. On the basis of our review and meetings with the bank to clarify matters, the material does, however, seem to confirm the bank's statement about the approach to tests and the results of these tests prior to each payment round. In this connection, the bank's approach and materials do not give us any reason to comment.

In connection with our review of the bank's documentation, we noted, however, that internal correspondence about the approval of a payment round related to the PF system made reference to an "issue with time-barred redemption costs". The correspondence revealed that this was considered as an additional issue and not part of root cause 1 in the PF system. Against this background, we asked the bank to inform us whether the above-mentioned issue concerning time-barred redemption costs was covered by an additional issue and, if so, which one.

In this connection, the bank has informed us that the issue has been described in an ORIS report dated 19 April 2022, which the bank has included in the reply. According to the bank, this ORIS report has subsequently been presented to the Athens Council, which has decided to set up additional issue 40 (see section 9.4.40). We cannot assess the specific contents or the risks associated with the issue in question on the basis of the information in the bank's ORIS report, but we will revert to this in connection with our further investigations.

8.2.2.2 Cases previously flagged as green

As described in section 4.3, in connection with our report of 31 October 2021, we noted that the bank's work on manual correction of cases in the debt collection systems since 2019 had shown a non-insignificant error rate, which was detected in connection with the bank's own spot check review of the cases. In this connection, on 10 May 2021, the bank decided that the cases previously flagged as green should be checked via the data models used by the bank to calculate compensation due to the four root causes. At that time, the bank expected the process to be initiated in the fourth quarter of 2021.

We have followed up on this matter in connection with this report, and the bank has informed us that the described control of the cases previously flagged as green via the data models was carried out during the period December 2021 to March 2022 (see section 4.3). In connection with this review, according to the bank, 9,307 customers have been checked via the data models and 54 of these customers have been found to be entitled to compensation. The bank expected to pay compensation to these customers on 20 April 2022, however, on 4 May 2022, the bank informed us that payment had not yet been made. On 24 May 2022, the bank informed us that it expects to pay compensation to the 54 customers in June 2022.

The bank is therefore expected to have completed the calculation and payment of compensation to customers due to the four root causes in June, subject to any later compensation to customers who by their own choice continue to repay the debt registered by the bank.

As mentioned in section 7.7 of our report of 31 October 2021, the bank's compensation models in relation to root causes 1 and 2 contain mechanisms that take into account, before any payment is made to customers, whether the repayments by the customer that have covered time-barred debt could instead have been used to cover other legally enforceable debt in the account. However, the assumed rebooking or offsetting against amounts has not yet been reflected in data in the system. For customers who have not received compensation because the data models assume a rebooking of payments in connection with the correction of data, any continued repayment by the customer may thus lead to a risk of overcollection due to the effect of the root causes on the customer's account. The bank has stated that these customers will

be compensated, but the bank does not yet appear to have established a process for when and how to investigate and handle the issue of overcollection (see also section 4.2.3 on the bank's considerations).

8.2.2.3 Time compensation

In section 7.8 of our report of 31 October 2021, we described the bank's approach to time compensation in connection with repayment of amounts to customers due to the four root causes. As stated, the bank based its calculation of time compensation on section 5 of the Danish Interest Act, and the interest rate is thus calculated at the official lending rate set by Danmarks Nationalbank plus a margin of 7-8%.

As described in our report of 31 October 2021, a 7% statutory margin was applied until March 2013, and an 8% margin has been applied since then. We note that the bank has informed us that, as a starting point, it uses the earliest possible date for calculating the total amount of the payment, and the bank has also stated that it applies the interest rate applicable on the date of *the first* overcollection for the entire period. If a customer has paid part of the time-barred debt before 1 March 2013 and another part thereafter, the bank's approach will thus imply that a portion of the repayment amount will carry interest at a lower rate than that provided by section 5 of the Danish Interest Act.

In this connection, on 15 October 2021, the bank informed us on that it was working on identifying customers who might be affected by this issue and that in the cases in question the bank would ensure that the customer received interest at a rate equal to the interest rate provided by section 5 of the Danish Interest Act.

However, at a meeting held with the bank on 14 March 2022, we got the impression that the bank has not yet identified – and is not planning to identify – the customers for whom the interest rate change in March 2013 may have had an effect on the customer's time compensation. Against this background, we have requested a description of the bank's business and legal considerations. However, the bank has stated that the matter is still being considered and that examples from the analyses must be reviewed to assess the risk that individual customers, in view of their payment patterns, may have received less than the interest rate provided by the Danish Interest Act and to which reference was made in the compensation letters sent to the bank's customers. See section 6.2 on the bank's approach to time compensation in general.

8.2.2.4 Tax issues

Since our report of 31 October 2021, the bank has decided on the method for compensating customers for the tax payable by customers on amounts received from the bank due to the root causes and additional

issues. In this connection, reference is made to section 6.3 for a detailed description of the bank's approach to tax compensation.

The bank has stated that the tax compensation in relation to the four root causes has been paid. In this connection, the bank states that tax compensation has been paid to 5,142 of the 5,275 customers who, as described in section 8.2.2, have received compensation due to the four root causes. The customers in question have also received a letter to this effect. For the remaining 133 customers, the compensation and tax compensation is pending due to various difficulties (see section 8.2.2).

As mentioned above, the bank has sent a letter to customers informing them that they will receive an amount to cover the tax on their compensation. According to information received, the letters were sent to customers on 24 March 2022 in connection with the payment of the tax compensation amount. We have not found any matters regarding these letters which give us any reason to comment. We also refer to section 6.3 of this report, which deals with the bank's approach to and communication on tax issues.

9. ADDITIONAL ISSUES

9.1 General information about the additional issues

As described in our report of 31 October 2021, the bank has since 2019 identified a number of additional issues that have led to errors in the bank's debt collection.

The number of such additional issues addressed by the bank has gradually increased. By September 2020, the bank had identified 14 additional issues. By October 2021, when we issued our report of 31 October 2021, the bank had identified a total of 28 additional issues. At this point in time, the bank has identified a total of 40 additional issues. It is noted that the bank's Athens Council on 25 May 2022 considered a potential additional issue that is currently awaiting a decision by the bank's Debt Management Committee.

It is noted that several of the additional issues identified by the bank, as described in our report of 31 October 2021, have been divided into several sub-issues that often constitute separate errors and therefore call for a separate assessment of the need for measures to stop the issue and of the need to pay compensation to the bank's customers etc. Including these sub-issues, the bank has, at the time of preparation of this report, identified a total of 74 issues that have or may have led to errors in the bank's debt collection. However, work on a number of these issues has been stopped because the bank has concluded that it has not committed any errors or because the errors identified have been corrected with respect to the bank's customers and the bank's future business procedures.

Since the preparation of our report of 31 October 2021, the bank has commenced the payment of compensation to customers in connection with five additional issues. These are additional issues no. 2 and no. 14, which concern the charging of interest on reminder fees, additional issue no. 10, which concerns estate agent fees for the *home* real estate agency chain, additional issue no. 16a, which concerns errors in the handling of time-barred debt in the bank's mortgage system, and additional issue no. 19, which concerns the recognition of amounts in favour of the customer in connection with the bank's closing of cases.

The bank's approach to addressing additional issues is described in overall terms in section 9.2 of our report dated 31 October 2021. Section 9.2 below contains a supplementary description of the bank's approach to addressing additional issues and the organisation of its work.

An overall outline of the additional issues identified is provided in section 9.3 below, which also contains a more detailed description of the Gate structure applied in connection with the description of the bank's work on the individual additional issues and the status thereon.

Lastly, section 9.4 below provides a description of the individual additional issues and the status of the bank's work on these. For the issues described in our report of 31 October 2021, the section also provides a description of whether the bank has performed additional procedures during the period after 31 October 2021 and, if so, which.

9.2 The bank's approach to additional issues

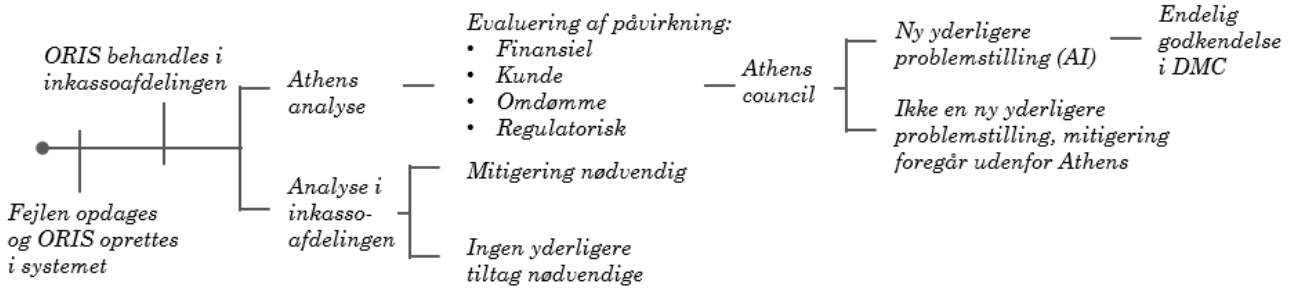
In our report of 31 October 2021, we described the bank's process for addressing additional issues, including the bank's organisation of the work, and the process leading to the bank making a decision to commence analysis of an additional issue.

Specifically regarding the process for handling errors or breaches of the bank's debt collection guidelines, it is noted that the bank's opening of an additional issue generally takes place via so-called ORIS reports, see our report of 31 October 2021, section 2.

An ORIS report may be based on one-off operational errors, such as a manual error made by a case officer in connection with the sending of a letter, or on errors of a systemic nature, in connection with which a presumption may be made in advance that the error has affected the collection of debt from a large number of customers.

The figure below illustrates the process spanning the creation of a report via ORIS to the decision to open a new additional issue in Project Athens:

Figure 10 – Process from ORIS report to additional issue (illustrated based on information from the bank)



Once an ORIS report has been created, it is processed by the debt collection department. The debt collection department performs a quality control of the ORIS report to ensure it contains an adequate description of the issue at hand, including of the nature and scope of the issue, the assumed cause of the error and the error's potential consequences for collection.

An ORIS report that is considered relevant to the debt collection project (i.e. an ORIS report concerning debt collection) will be forwarded to relevant individuals affiliated with Programme Athens. If an ORIS report is considered not relevant to the debt collection project, for example if it concerns a one-off error that is considered to be not systemic in nature, further analysis will be performed by the debt collection department.

All ORIS reports in Programme Athens are subjected to an evaluation of the issue's impact on the bank's customers etc. Based on this evaluation, the ORIS is ranked on a scale of 1 to 5 with 5 denoting the strongest impact. Depending on this evaluation, an escalation process follows with reports ranked 4 or higher being sent to the management team in charge of Programme Athens for their information. The bank's CEO and the Danish Financial Supervisory Authority are also notified of the issue.

The bank's decision to open a new additional issue for consideration by Programme Athens is made by the so-called Athens Council. Decisions by the Athens Council are subsequently confirmed/approved by the Debt Management Committee (DMC), see the description in our report of 31 October 2021, section 4.1.

An additional issue will be assigned to an analysis team charged with performing an initial analysis of the nature and scope of the issue as well as of preventive measures to stop the error (internally at the bank referred to as stop-the-tap measures). This analysis is summarised in a so-called Fact Pack, which together with the underlying documentation forms the basis of our review of the bank's initial work on the issue.

As described in our report of 31 October 2021, the bank's initial analyses (Fact Packs) are not exhaustive and do not include, for example, models for the calculation of compensation or final instructions regarding permanent solutions to the errors concerned. The initial analyses only conclude the bank's work on an additional issue in cases where the responsible analysis team concludes that the bank has not committed any errors.

The progress of the bank's work on additional issues depends on the amount of resources available for the work and on the priority and complexity of the issues. As described in our report of 31 October 2021, work on the individual additional issues is performed concurrently by a number of analysis teams.

The number of analysis teams has been expanded since the preparation of our report of 31 October 2021, but as explained in the report, we believe it would be difficult for the bank to increase the number of teams even further, partly because the individual teams are still highly dependent on key persons at the bank's IT department, clarifications by the legal department and operational experts who have in-depth knowledge of the bank's business processes and the historical developments of these processes.

As pointed out in our report of 31 October 2021, the process of concurrent analyses by multiple teams involves a risk that the bank's work becomes too silo-like and that the bank will consequently fail to identify issues and errors falling within the borderland between the work performed by the various teams. Moreover, the sequential approach to analytical work involves a risk that, in connection with the consideration of an additional issue, the bank fails to notice that the by now identified error casts reasonable doubt on the bank's conclusions in previous analyses. Since 31 October 2021, the bank has explained how it attempts to mitigate these risks, including by ensuring a higher degree of cross-organisational anchoring of the individual issues with the programme's management levels and by ensuring better and more frequent communication between the respective analysis teams, see immediately below.

Following the preparation of our report of 31 October 2021, including in connection with our investigations of the bank's subsequent work, we have noted that the bank has implemented a range of measures to ensure a more systemic analytical approach, including in particular in areas with a real risk that errors are interconnected.

One such area where a more systemic approach is being pursued is the interest area, where a number of the additional issues identified and addressed by the bank are directly related to the bank's ability to calculate, add and charge interest and to handle time-barred interest in the individual debt collection cases, see e.g. additional issues nos. 17, 20, 22, 24 and 27. Based on the experience gained in connection with the "discovery" of these additional issues, the bank has decided to carry out an overall analysis of the interest area, comprising the bank's IT systems and their functionality for calculating and adding

interest, agreements with individual customers, the handling of time-barred interest and cover of interest. The bank will also consider business and legislative changes that have historically led to changes in the bank's interest accrual on debt collection customer claims. For a description of the interest area as such, reference is made to section 7.1, which also sets out our overall observations regarding the causes of the errors that have occurred in connection with the handling of interest.

9.3 Status and approach to analysing additional issues

As explained in section 1.2, we have for purposes of this report decided to apply a so-called Gate structure to describe the status of the individual additional issues. The Gate model applies the last three stages of the so-called Stage-Gate model, around which the bank's work on the additional issues is organised and which is described in section 3.1.1.

Our Gate model structure sets out a number of stages – i.e. gates – which an issue must pass from the time it is identified by the bank until it is finally closed such that it may reasonably be expected that the bank's business processes and IT system will support operations to the effect that the issue does not lead to debt collection errors going forward.
The structure consists of three gates, which may be described as follows:

Gate 1 (analysis, information and measures to stop issue):

Gate 1 comprises the bank's preparation of an initial analysis (so-called Fact Pack) as well as the implementation of preliminary measures to stop the issue and the notification of potentially affected customers, see the Danish Financial Supervisory Authority's order of 21 September 2020.[3]

Issues which are closed by the bank following the initial analysis because the bank concludes that it has not committed any errors (so-called "non-issues") are closed after Gate 1, provided there are no outstanding issues with respect to the correction of data, business processes or IT systems, see below on Gate 3.

Gate 2 (compensation)

[3] According to the Danish Financial Supervisory Authority's decision of 3 December 2021 on an extension of the impartial investigation, we must on an ongoing basis investigate and assess "*the measures which the bank has implemented and implements in relation to the four defined root causes of the errors in the bank's debt collection process and the bank's analyses and specific implementation of measures in relation to the additional 28 identified issues and any additional general issues with respect to the bank's debt collection that may be identified following the issuance of this order"* as well as *"the bank's measures to identify and notify customers affected by the four root causes and any additional issues identified*".

Gate 2 comprises the calculation and payment of compensation and damages to the bank's customers to the extent that this is relevant in relation to the issue concerned. Gate 2 further comprises the notification of customers concerning the payment of compensation.

An issue is described as having passed Gate 2 if the bank has provided documentation of its calculation of compensation and if payment or setoff has been made based on the calculation model described. In this connection, the bank must also have communicated to all affected customers whether they are entitled to compensation and, if so, how much, etc.

Gate 3 (remediation)

Gate 3 comprises the correction of data and the input of corrected data into the bank's IT system (so-called "write-back"). Gate 3 further comprises updating of the bank's business procedures, controls and IT systems such that it may reasonably be expected that the bank's business processes and IT system will help ensure that the issue does not lead to debt collection errors going forward.[4]

In order for an issue to pass a gate, the work must have been completed to the greatest extent feasible, always provided, however, that, for example, the outstanding payment of compensation to customers who the bank is unable to localise or pay due to NemKonto blocking will not prevent the passing of Gate 2.

An issue cannot pass Gate 3 until the bank is ready to resume collection without the issue in question leading to additional errors, but see above concerning issues which are closed after Gate 1 because the bank has not committed any errors (so-called "non-issues").

As mentioned in section 9.2, the Gate model is a tool for the ongoing reporting on the current status and progress of the bank's work. The Gate model applies the last three stages of the so-called Stage-Gate model, see section 3.1.1, but should not be confused with the latter.

Some additional issues have not passed a gate since the preparation of our report of 31 October 2021, either because the bank has not worked on these issues during the relevant period, or because the work is still ongoing. For such additional issues, we merely provide, in section 9.4 below, a brief account of

[4] The Danish Financial Supervisory Authority's decision of 3 December 2021 on an extension of the impartial investigation states that "*When the bank has corrected all data and entered them in the bank's IT systems, all controls have been performed and the bank's IT systems for debt collection are operating normally, the impartial reviewer will review the final system implementations and/or system changes.*"

developments, if any, since 31 October 2021, including if, for example, the bank has made more accurate estimates of the number of affected customers or the need for compensation.

In this connection, it should also be noted that a need may arise for the bank to adjust already completed processes. As such, the bank's progression may "move backwards" in the Gate structure, for example if an initial analysis closed as a non-issue is reopened. In this connection, reference is made to our discussion of additional issues nos. 6a and 16b, see sections 9.4.6 and 9.4.16, from which it appears that the bank has deemed it necessary to reopen its previous initial analyses of these issues.

The first 19 additional issues were described in our report of 31 October 2021 based on the analysis documents and accompanying documentation provided by the bank. As appears from the figure below, the bank has prepared initial analyses of an additional nine issues (nos. 20 to 28) since our report of 31 October 2021.

A comprehensive overview of the additional issues comprised by the remediation work may be illustrated as follows:

Figure 11 – Overview of additional issues and their status

Fortløbende observationsnummer	Bankens ID ("Additional Issue")	Beskrivelse	Gate 1	Gate 2	Gate 3	Antal[5] potentielt berørte kunder (sager)	Antal kunder (sager), der potentielt har krav på kompensation og/eller saldoberigtigelse	Kan kompensation eller saldorettelse potentielt være påkrævet?
			"Afsluttet"/"I gang" betyder, at problemstillingen har passeret/befinder sig i den pågældende gate. "N/A" betyder, at problemstillingen ikke vil komme i den pågældende gate, fx fordi banken har vurderet, at den kan lukkes					
1	1a	Fejl i afsluttede skiftesager	Afsluttet	I gang	Afventer	16.000 (sager)	Under afklaring	Ja
2	1b	Håndtering af tilbagekaldte anmeldelser i uafsluttede skiftesager	Afsluttet	N/A	N/A	180 (sager)	0	Nej
3	1c	Risiko for fejl i anmeldte krav	Afsluttet	N/A	N/A	20 (sager)	0	Nej
4	1d	Forkerte anmeldelser i dødsboer	I gang	Afventer	Afventer	840 (sager)	Under afklaring	Ja
5	1e	Forkerte retsafgifter og sagsomkostninger i civile retssager	Afventer	Afventer	Afventer	Under afklaring	Under afklaring	Ja
6	1f	Forkerte gebyrer og forældede renter i dødsbossager	Afventer	Afventer	Afventer	Under afklaring	Under afklaring	Ja
7	2a	Forrentning af rykkergebyrer	Afsluttet	Afsluttet	Afventer	551.900	512.000	Ja
8	2b	Opkrævning af for mange rykkergebyrer (Realkredit Danmark og MDS)	I gang	I gang	Afventer	42.000	42.000	Ja
9	3a	Fejl i forbindelse med tilretning af sager i PF-systemet	Afsluttet	Afventer	Afventer	4.500	Under afklaring	Ja
10	3b	Fejl i forbindelse med tilretning af sager i PF-systemet	Afsluttet	Afventer	Afventer	Som ovenfor	Under afklaring	Ja

[5] Bemærk at der er foretaget afrunding af antal, da der i mange tilfælde er tale om skøn.

Fortløbende observationsnummer	Bankens ID ("Additional Issue")	Beskrivelse	Gate 1	Gate 2	Gate 3	Antal[5] potentielt berørte kunder (sager)	Antal kunder (sager), der potentielt har krav på kompensation og/eller saldoberigtigelse	Kan kompensation eller saldorettelse potentielt være påkrævet?
			"Afsluttet"/"I gang" betyder, at problemstillingen har passeret/befinder sig i den pågældende gate. "N/A" betyder, at problemstillingen ikke vil komme i den pågældende gate, fx fordi banken har vurderet, at den kan lukkes					
11	4a	Fejl i bankens interne kreditvurdering	Afsluttet	N/A	N/A	7.600	0	Nej
12	4b	Fejl i indberetning til RKI	Afsluttet	N/A	N/A		0	Nej
13	5	Håndtering af sårbare kunder	Afsluttet	N/A	N/A	0	0	Nej
14	6a	Lave eller negative morarenter i PF	I gang	Afventer	Afventer	12.000 (sager)	750 (sager)	Ja
15	6b	Højere morarenter i DCS end i PF	Afsluttet	Afventer	Afventer	8.500 (sager)	Under afklaring	Ja
16	6c	Høje morarenter i DCS	Afsluttet	Afventer	Afventer	43.000 (sager)	0	Nej
17	7	Risikomarkeringer i bankens systemer	Afsluttet	N/A	N/A	0	0	Nej
18	8a	Opkrævning af for høje sagsomkostninger før 2008	Afsluttet	I gang	Afventer	27.000	4-8.000	Ja
19	8b	Opkrævning af for høje sagsomkostninger efter 2008	Afsluttet	N/A	N/A	0	Under afklaring	Nej
20	9a	Sagsomkostninger potentielt lagt sammen med hovedstolen	Afsluttet	N/A	N/A	0	0	Nej
21	9b	Sagsomkostninger potentielt lagt sammen med hovedstolen	Afsluttet	N/A	N/A	0	0	Nej
22	10	Manglende forhandling af mæglersalærer (Home)	Afsluttet	Afsluttet	N/A	1.540 (sager)	1.231 (915 sager)	Ja
23	11a	Fejl ifm. indberetning af gældsoplysninger til SKAT	I gang	N/A	N/A	Under afklaring	0	Nej
24	11b	Fejl ifm. indberetning af gældsoplysninger til SKAT	I gang	N/A	N/A	Under afklaring	0	Nej
25	12	Bankens håndtering af personoplysninger, GDPR	Afsluttet	N/A	N/A	250.000	0	Nej
26	13	Fejl i sager outsourcet til inkassobureauer	I gang	I gang	Afventer	85.500	70.450	Ja
27	14	Nordania - forrentning af gebyrer samt opkrævning af for mange rykkergebyrer	Afsluttet	Afsluttet	Afventer	13.411	13.411	Ja

Fortløbende observationsnummer	Bankens ID ("Additional Issue")	Beskrivelse	Gate 1	Gate 2	Gate 3	Antal[5] potentielt berørte kunder (sager)	Antal kunder (sager), der potentielt har krav på kompensation og/eller saldoberigtigelse	Kan kompensation eller saldorettelse potentielt være påkrævet?
			"Afsluttet"/"I gang" betyder, at problemstillingen har passeret/befinder sig i den pågældende gate. "N/A" betyder, at problemstillingen ikke vil komme i den pågældende gate, fx fordi banken har vurderet, at den kan lukkes					
28	15	Fejlagtig bogføring	Afsluttet	N/A	N/A	0	0	Nej
29	16a	Manglende forældelsesdato i MDS (egenbeholdning)	Afsluttet	I gang	Afventer	168	Under afklaring	Ja
30	16b	Sammenlægning af gældsposter i MDS	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Ja
31	16c	Manglende forældelsesdato i MDS (kundebeholdning)	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Ja
32	16d	Fejl i renteberegning i MDS	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Ja
33	16e	Fejl i forbindelse med opgørelsen af restpant	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Ja
34	17a	Fejl i renteberegning i DCS	Afsluttet	I gang	Afventer	480	Under afklaring	Ja
35	17b	Fejl i forældelseshåndteringen i DCS	Afsluttet	I gang	Afventer	600	Under afklaring	Ja
36	18a	Manglende opfølgning på betalingsaftaler	Afsluttet	N/A	N/A		0	Nej
37	18b	Manglende opfølgning på betalingsaftaler	I gang	I gang	Afventer	Under afklaring	250-500	Ja
38	18c	Manglende opfølgning på betalingsaftaler	Afsluttet	N/A	N/A		0	Nej
39	18d	Manglende opfølgning på betalingsaftaler	Afsluttet	N/A	N/A		0	Nej
40	19a	Bagatelgrænse for overbetalinger (under kr. 50)	Afsluttet	Afsluttet	Afventer	12.804	12.804	Ja
41	19b	Bagatelgrænse for overbetalinger (over kr. 50)	Afsluttet	Afsluttet	Afventer	900	669	Ja
42	20a	Uoverensstemmelse mellem aftalegrundlag og renteberegning i DCS	I gang	Afventer	Afventer	35.000	Under afklaring	Ja
43	20b	Uoverensstemmelse mellem ÅOP i aftalegrundlag og faktisk ÅOP	I gang	Afventer	Afventer	24.000	Under afklaring	Ja

Fortløbende observationsnummer	Bankens ID ("Additional Issue")	Beskrivelse	Gate 1	Gate 2	Gate 3	Antal[5] potentielt berørte kunder (sager)	Antal kunder (sager), der potentielt har krav på kompensation og/eller saldoberigtigelse	Kan kompensation eller saldorettelse potentielt være påkrævet?
			"Afsluttet"/"I gang" betyder, at problemstillingen har passeret/befinder sig i den pågældende gate. "N/A" betyder, at problemstillingen ikke vil komme i den pågældende gate, fx fordi banken har vurderet, at den kan lukkes					
44	20c	Uoverensstemmelse mellem amorteriseringsplaner i aftalegrundlag og opkrævning i DCS	I gang	Afventer	Afventer	400	Under afklaring	Ja
45	21	Slettede kunder	Afsluttet	N/A	N/A	4.000	0	Nej
46	22a.I	Rentefejl i DCS (højere rente for aftalekontoen end hovedkontoen)	I gang	Afventer	Afventer	4.500	Under afklaring	Ja
47	22.a.II	Rentefejl i DCS (lavere rente for aftalekontoen end hovedkontoen)	I gang	Afventer	Afventer	8.000	Under afklaring	Ja
48	22b	Forkert registrering af rentebetalinger	I gang	Afventer	Afventer	4.000	Under afklaring	Ja
49	22c	Forkert virkningsdato for renteændringer	I gang	Afventer	Afventer	11.000	Under afklaring	Ja
50	22d	Forkert rente på aftalekontoen	I gang	Afventer	Afventer		Under afklaring	Nej
51	23	Fejlagtig indberetning af gældseftergivelseskode	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Nej
52	24a	Højere rente ved rentetypeskifte	I gang	Afventer	Afventer	12.000	Under afklaring	Ja
53	24b	Manglende transparens i rådgivning ifm. rentetypeskifte	I gang	Afventer	Afventer			Ja
54	25	Omkostninger lagt sammen med hovedstolen	Afsluttet	N/A	Afventer	5.200 sager	0	Nej
55	26a	Kautionister - forkert omregistrering i DCS	I gang	Afventer	Afventer	5.400	0	Nej
56	26b	Kautionister - Håndtering af sager vedr. Vækstfonden	I gang	Afventer	Afventer	280	0	Nej
57	26c	Kautionister - Forkert registrering af begrænsede kautioner	I gang	Afventer	Afventer	11.600	Under afklaring	Ja
58	26d	PF - Indberetning til Skattemyndighederne	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Ja

Fortløbende observationsnummer	Bankens ID ("Additional Issue")	Beskrivelse	Gate 1	Gate 2	Gate 3	Antal[5] potentielt berørte kunder (sager)	Antal kunder (sager), der potentielt har krav på kompensation og/eller saldoberigtigelse	Kan kompensation eller saldorettelse potentielt være påkrævet?
			"Afsluttet"/"I gang" betyder, at problemstillingen har passeret/befinder sig i den pågældende gate. "N/A" betyder, at problemstillingen ikke vil komme i den pågældende gate, fx fordi banken har vurderet, at den kan lukkes					
59	26e	Kaution - fejl ved indfriet akkordaftale	Afventer	Afventer	Afventer	Under afklaring	Under afklaring	Ja
60	26f	Kautionister - manglende nedskrivning af kautionsbeløb	Afventer	Afventer	Afventer	Under afklaring	Under afklaring	Ja
61	27	Tilskrivning af rentes rente på lovbestemt rente	I gang	Afventer	Afventer	16.000	Under afklaring	Ja
62	28	Fejl i forældelsesdatoen for renter ved nye sager i DCS	Afsluttet	N/A	Afventer	0	0	Nej
63	29	Fejl i Danske Prioritet Plus sager	I gang	Afventer	Afventer	<2.000 (sager)	<100	Ja
64	30	Fejl vedr. sager vedr. Aktiv Kapital	I gang	Afventer	Afventer	Under afklaring	<100	Ja
65	31	Ufordelagtige frivillige forlig	I gang	Afventer	Afventer	Under afklaring	<100	Ja
66	32	Dækningsrækkefølge i betalingsaftaler	I gang	Afventer	Afventer	Under afklaring	<500	Ja
67	33	Manglende reduktion af meddebitors gæld	I gang	Afventer	Afventer	Under afklaring	<200	Ja
68	34	Bogføringsfejl i skiftesager	Afventer	Afventer	Afventer	Under afklaring	<20	Ja
69	35	Fejl i forældelse med manglende underskrift af betalingsaftalen	Afventer	Afventer	Afventer	Under afklaring	<10	Ja
70	36	Fejl i suspension af renteberegning i bankens filialer	I gang	Afventer	Afventer	Under afklaring	<500	Ja
71	37	Fejl ved overførsel fra "RD 20 % garanti" til DCS	I gang	Afventer	Afventer	8.000 - 9.000	100 - 1.000	Ja
72	38	Manglende håndtering af betalinger fra kunderne	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Ja
73	39	Manglende kommunikation ved ændring af rentetype	I gang	Afventer	Afventer	Under afklaring	Under afklaring	Ja
74	40	Yderligere fejl i PF-systemet	Afventer	Afventer	Afventer	~1.000	<100	Ja

As regards the entries in the above table, it is noted that the number in the second column indicates the number assigned by the bank to the relevant additional issue. We have included separate rows for sub-issues where they reflect separate issues which are addressed separately by the bank. As appears from the above figure, this is relevant with respect to a number of additional issues where sub-issues within the same main issue are not equally advanced in relation to the Gate structure applied in this report, see e.g. additional issue no. 16 on the MDS mortgage system.

The three columns concerning the report's Gate structure illustrate the bank's progress, the "**in progress**" indication denoting that the bank is currently working on an issue within a gate, while "**Completed**" means that a gate has been passed, see section 9.3 above. As explained above, it is important to emphasise that the indication of whether a gate has been completed/passed reflects an assessment made by us, in which connection we have considered whether the bank has essentially completed the activities required to pass the gate. This implies that the bank may have big or small outstanding issues within the gate, although we have indicated that a gate has been completed. Reference is made to the descriptions in the sub-sections of section 9.4.

The "**Awaiting**" indication is used for issues that have passed a gate but for which the bank has not allocated an analysis team for purposes of completing the next gate within the current six-month planning period. "Awaiting" does not necessarily mean that the bank is not working on the issue at all. "N/A" is used with respect to, for example, Gates 2 and 3 for issues which the bank has closed after completing Gate 1, concluding that no errors have been committed by the bank.

The indications in the column concerning the number of potentially affected customers show how many customers may be affected by a given issue, without this necessarily implying that the customers concerned have a financial claim against the bank or a right to have the balance of their debt corrected. The indications in the column concerning the number of customers who are potentially entitled to compensation and/or a correction of their balance show the number of customers who, according to the information available to the bank, may be entitled to compensation or write-down of their debt. However, if the word "cases" appears in brackets after the number, the number does not denote the number of customers but the number of cases, in which connection it should be added that a customer may be a debtor in several cases at the bank and that each case may have more than one liable debtor.

"**Yes**" or "**No**" in the column concerning the requirement for compensation or balance correction indicates whether compensation or balance correction may potentially be required for one or more of the bank's customers. For issues where this remains uncertain, we have entered **"Yes**", even if the bank considers it unlikely that the issue will affect the balance of the debt.

9.4 Individual descriptions of the additional issues

Descriptions of all additional issues from nos. 1 to 40 are provided below. The issues may generally be divided into three groups:

Additional issues nos. 1-19:	Described in our report of 31 October 2021 on the basis of the bank's initial analyses (Fact Packs), see Gate 1, section 9.3. This report provides a status of the bank's progress on all issues. As mentioned in section 9.1 above, the bank has commenced or completed the payment of compensation concerning additional issues nos. 2, 10, 14, 16a and 19, see Gate 2, section 9.3.
Additional issues nos. 20-28:	Described in this report on the basis of the bank's initial analyses (Fact Packs), see Gate 1, section 9.3.
Additional issues nos. 29-40:	As the bank has not yet completed its initial analyses, this report only provides a brief description of the nature and expected scope of the issues.

9.4.1 Additional issue no. 1 – Errors in connection with court cases and bankruptcy/probate cases

Additional issue no. 1 concerns the bank's lodging of potentially incorrect claims in bankruptcy/probate cases (bankruptcy estates, reconstruction proceedings, debt relief cases and estates of deceased persons) as a result of the four root causes as well as additional issues potentially affecting the calculation and enforceability of the customer's total balance.

At the time of our report of 31 October 2021, the bank was in dialogue with the Danish Court Administration. As this dialogue is still ongoing, the bank has not yet commenced any compensation payments (Gate 2, see section 9.3 above). However, the following sections contain certain observations and follow-up on what was stated in our report of 31 October 2021.

In this connection, we note initially that the scope of sub-issues under this additional issue no. 1 has grown significantly since our report of 31 October 2021 and that the issues are no longer limited to claims in bankruptcy/probate cases. In connection with additional issue no. 1, sub-issues concerning legal costs related to ordinary civil court cases are also addressed by the bank, see immediately below.

9.4.1.1 New sub-issues

At the time of our report of 31 October 2021, the bank had divided additional issue no. 1 into three sub-issues:

1. Sub-issue 1a, which concerns closed bankruptcy/probate cases where, due to errors in the claim lodged, the bank has potentially received a higher dividend than the amount it was entitled to, which may have led to losses for the other creditors.

2. Sub-issue 1b, which concerns the bank's handling of withdrawn claims in 178 open bankruptcy/probate cases, where the withdrawal has led to the barring of the bank's claim against the customer and the issue concerns the bank's right to collect the full outstanding claim against any co-debtors or guarantors.

3. Sub-issue 1c, which concerns the risk of errors in the correction process as a result of the bank's flawed correction process (issue no. 3) for relodged claims in 16 bankruptcy/probate cases, and which does not take account of the additional issues.

We would add that the bank has subsequently extended its consideration of additional issue no. 1 by three additional sub-issues. These new issues, which are described in detail below, are as follows:

4. Sub-issue 1d, which concerns the misrepresentation of claims in 840 estates of deceased persons regarding claims collected through the PF system.

5. Sub-issue 1e, which concerns the miscalculation of court fees and legal costs in ordinary civil court cases.

6. Sub-issue 1f, which concerns unwarranted fees and time-barred interest in cases relating to the estates of deceased persons.

From the bank's material, we conclude that the bank does not expect to begin its preliminary analyses (Gate 1, see section 9.3) of these new sub-issues until the period April to June 2022, and that the bank has not yet been able to determine the final number of affected customers. The following descriptions are therefore very provisional in nature.

9.4.1.1.1 Sub-issue 1d on the misrepresentation of claims in 840 estates of deceased persons from the pf system

This issue was partially addressed in our report of 31 October 2021, in which we described that in some 840 cases relating to the estates of deceased persons the bank had used the wrong letter template in connection with the lodging of claims against estates of deceased persons, as a result of which claims relating to non-corrected cases have been considered final claims rather than provisional claims lodged by means of a so-called pro forma statement. The preliminary analyses showed that, as a result of the misrepresentation of claims, the bank has received too much dividend in an additional 144 cases.

We have noted that the bank in January 2022 provided different figures in writing to the Danish Financial Supervisory Authority relating to cases affected by the sub-issue. The difference is explained by the fact that a delimited period was applied as regards the figures stated in the letter, i.e. the period from the Danish Financial Supervisory Authority's order of 21 September 2020 to stop debt collection for cases with a non-insignificant risk of overcollection until 26 August 2021 when the bank entirely stopped its practice of using so-called pro forma statements for claims in the PF system in connection with bankruptcy/probate cases.

The bank has informed us that it has identified only three cases of overcollected dividend for this period, in two of which dividend was paid on the basis of claims which the bank had not itself lodged, but which were registered on the basis of, for example, information from the land registry. Against this background, the bank finds that the risk of overcollection has been limited since the orders were issued.

In relation to this sub-issue, the bank has informed us that it is in dialogue with the Danish Court Administration about the future processing of the cases in question. In relation to the payment of compensation, it is expected that this sub-issue can be resolved in the same way as sub-issue 1a. In this respect, the bank is faced with the same challenge as for sub-issue 1a, as the bank may have received too much dividend in both cases and therefore now has to determine whether to reopen the bankruptcy/probate cases, recalculate dividend and pay compensation to an as yet unknown number of other creditors and/or heirs, see section 9.4.1.2 below.

9.4.1.1.2 Sub-issue 1e on the miscalculation of court fees and legal costs awarded in "ordinary court cases"

This issue was also partially addressed in our report of 31 October 2021 as, at the end of September 2021, the bank had identified an internal incident (ORIS report) concerning a potential issue related to the amount of court fees and legal costs in cases where the debt as a result of the other errors, including the four root causes, had been miscalculated.

We have subsequently received the bank's ORIS report, and it has also been confirmed that the issue is being considered as sub-issue 1e under Programme Athens.

The issue arises from the historical calculation and award of court fees and legal costs as a proportion of the claim recovered, which means that an overcalculated claim may have led to the calculation basis being too high and thus to a miscalculation of fees and costs. As a consequence, customers may have an additional claim for compensation for the excessive fees and legal costs. According to the bank, the issue is being investigated more closely by the bank, and all affected customers will be compensated when the analysis work has been finalised.

As described in section 4.4 on the bank's preventive measures in special cases, including bankruptcy/probate cases and court cases, the bank has implemented a complete stop to the lodging of claims in connection with bankruptcy/probate cases and to the institution of ordinary civil court cases. In the very few exceptional cases in which special authorisation is given within the bank to lodge a claim, the case will first be subjected to a manual correction process. In addition, as described in section 4.2, the bank has implemented an extended Pause logic that suspends payment agreements. The bank is thus considered to have taken measures to prevent the risk that sub-issue 1e will lead to further overcollection from customers.

9.4.1.1.3 Sub-issue 1f on unwarranted fees and interest in cases relating to the estates of deceased persons

This issue concerns the bank's possible unwarranted charging of interest/fees in cases relating to the insolvent estates of deceased persons which have been lodged directly from the bank's ordinary systems and the claims of which have never been transferred to the debt collection systems (DCS and PF).

Based on the materials available to the bank, including the ORIS report, we conclude that the bank became aware of sub-issue 1f in August 2021. However, as we did not receive a copy of the bank's ORIS report until February 2022, the issue was not mentioned in our report of 31 October 2021.

The bank has explained that the error was identified in the course of the general analysis of the debt collection case (i.e. Programme Athens), through which the bank became aware that certain rules concerning interest and fees were neither set out in the bank's procedures nor included in the training of employees.

In response to our request, the bank further informed us on 2 May 2022 that the issue concerns cases relating to the insolvent estates of deceased persons in which the bank may have failed to effect interest resetting to zero and cancellation of fees upon the death of a customer. According to information received,

the bank will investigate whether this should be ensured before the final lodging of a claim. According to the bank, the bank may consequently have received too much dividend due to the wrongfully charged interest and fees. It is therefore necessary to analyse the current process in order to clarify whether it complies with current legislation. According to the bank, this issue presumably only impacts customers from whom the bank has received dividend and where the amount received may thus have been too high.

As we understand it, the analysis of this sub-issue is not yet at such an advanced stage that the bank has reached any conclusions. The bank's ORIS report states that the scope of the issue is unknown, but that the necessary measures to put a stop to the issue have been implemented and that there is thus no risk of the issue continuing, see immediately above and section 4.2.

9.4.1.2 Status on the bank's dialogue with the Danish Court Administration

In our report of 31 October 2021, we noted that the bank was in dialogue with the Danish Court Administration at the time about how to approach the detailed clean-up and possible compensation in relation to sub-issue 1a and the approximately 14,000-16,000 cases in which the bank has received too much dividend.

The preliminary work thesis was that, in the bank's opinion, any reopening and subsequent distribution in the bankruptcy/probate cases would have to await the bank gaining an overview of all the additional issues to ensure also that closed bankruptcy/probate cases would not have to be reopened more than once. In the report, we noted that it was uncertain whether the cases listed could and should be reopened and, if so, whether the reopening would be limited to dividend paid during a given period.

Since the report of 31 October 2021, we have received descriptions of the bank's dialogue with the Danish Court Administration. The bank has informed us that the bank and the Danish Court Administration have set up a joint working group for purposes of developing a solution to the issues concerning the closed bankruptcy/probate cases. In this connection, the bank has stated that the dialogue with the Danish Court Administration is not limited to the 14,000-16,000 cases mentioned above, which are covered by sub-issue 1a, but that the dialogue also covers closed bankruptcy/probate cases in relation to other additional issues.

According to the bank, the working group consists of six employees from the bank and four employees from the Danish Court Administration. The two groups meet on a regular basis, in which connection the bank provides an update on the overall project and the implications for closed bankruptcy/probate cases and the Danish Court Administration is able to ask specific questions, which are reviewed and discussed. For the bank, the purpose of the work is to establish a uniform practice for the processing of closed bank-

ruptcy/probate cases by the various courts in Denmark and to ensure that the practical payment of compensation in these cases is carried out in the best possible way so that, to the extent possible, compensation is paid to the person or persons (creditors, heirs, etc.) who have suffered a loss.

It is noted that the working group may make recommendations, but that the Danish Court Administration cannot make final decisions on behalf of the respective courts. For example, a decision to reopen a specific bankruptcy case would ultimately have to be made by the bankruptcy court by which the case was originally tried.

Due to the complexity and scope of the work, the bank does not expect to commence the payment of compensation in the bankruptcy/probate cases until 2023. We will follow up on this as part of our further investigations.

9.4.2 Additional issue no. 2 – Interest on reminder fees and too many reminder fees

9.4.2.1 Nature and scope of the issue

Additional issue 2a concerns the bank's charging of interest on reminder fees pursuant to section 9b of the Danish Interest Act during the period from 1 July 2005 to 3 September 2020. Furthermore, additional issue 2b concerns the bank's calculation of too many reminder fees in relation to its customers.

In relation to sub-issue 2a, the bank has assessed, on the basis of external legal advice, that it was not entitled to charge interest on a reminder fee charged pursuant to section 9b of the Danish Interest Act unless the reminder fee is part of a judgment amount, see section 8a of the Danish Interest Act. However, due to data flaws in the bank's systems, the bank has historically charged interest on such reminder fees, even if such interest could not be charged pursuant to section 8a of the Danish Interest Act.

The reason for the bank's timing differences is that section 8a of the Danish Interest Act was implemented by Danish Act No. 554 of 24 June 2005, which entered into force on 1 July 2005, and that, on 3 September 2020, the bank ceased to impose new reminder fees.

As described in our report of 31 October 2021, the issue exists both in Denmark and in Norway. As agreed with the Danish FSA, we will deal with the issue in this report only as regards customers in Denmark.

The bank has stated that, as of 2 May 2022, it had paid compensation to approximately 422,000 of the approximately 512,000 customers affected by sub-issue 2a. According to information received, the bank has thus paid compensation to the vast majority of customers affected by additional issue no. 2. According to information received, the bank paid compensation to an additional 2,000 customers on 5 May 2022 and

now finds that it has paid compensation to all customers to whom it is able to pay compensation at this time, as described in detail below in section 9.4.2.6.2.

For sub-issue 2a, which relates to interest on fees, the bank has thus passed Gate 2 in the Gate structure described above in section 9.3.

For sub-issue 2b, the bank has not yet paid compensation to all affected customers, see section 9.4.2.1.1. below.

In relation to the scope of additional issue no. 2 as a whole, it should be noted that the issue has affected a large number of customers although the effect on individual customers is small in terms of the amount involved, and the risk of overcollection is therefore low. The bank thus states that approximately 271,000 of the approximately 422,000 customers to whom the bank had paid compensation as at 2 May 2022 received an amount of less than DKK 10. The remaining approximately 151,000 customers received an amount of DKK 62 on average, including time compensation.

9.4.2.1.1 Additional issue 2b regarding the charging of too many reminder fees

In connection with its handling of the issue concerning interest on reminder fees, the bank has identified a new issue regarding the fact that, in some cases, the bank has charged more reminder fees than it was entitled to charge.

We understand that the bank is still investigating the extent of the sub-issue, which includes identification of affected customers, communication and payment of compensation to these customers. The bank has also stated that the issue, as described above, is addressed as sub-issue 2b of additional issue no. 2.

The bank has estimated that about 42,129 customers are affected by this sub-issue. In this connection, about 40,000 customers are Realkredit Danmark customers, while the remaining 2,129 customers are customers registered in the MDS mortgage system. The figures are subject to uncertainty as the bank has not completed its analyses. However, the bank has stated that, on 5 May 2022, compensation was paid to the MDS customers to whom the bank was able to pay compensation at present.

The bank has stated that it has introduced manual measures in Realkredit Danmark's systems to ensure that Realkredit Danmark cases are not forwarded to an external debt collection agency or to the court with too many reminders charged. The bank has also stated that the controls ensure that reminder fees and debt collection fees are not "aggregated" before the claims are transferred to the PF system and that reminder fees are temporarily set at zero in Realkredit Danmark's debt collection system.

At 2 May 2022, we had not received any further information about how the bank handles sub-issue 2b. The sub-issue will therefore not be dealt with in detail in this report.

9.4.2.2 Preventive measures in relation to sub-issue 2a

As described in our report of 31 October 2021, the bank has taken two steps to stop the calculation of interest on reminder fees.

The first step is that the bank has stopped charging reminder fees from 3 September 2020 until it is possible to ensure that the bank's systems do not charge interest on reminder fees.

The second step is the bank's general Pause logic, according to which the bank no longer calculates and adds interest to debt registered in the bank's debt collection systems, and according to which the bank has also to a large extent suspended its customers' payment agreements. For a detailed description of the bank's Pause logic, see section 4.2.

In general, we find that the actions taken by the bank entail that there is insignificant risk of further overcollection due to the bank's charging of interest on fees.

9.4.2.3 Customers affected by sub-issue 2a

As described in our report of 31 October 2021, the bank had originally estimated that around 346,400 customers were affected by additional issue no. 2. The customers were identified by the bank reviewing the transaction history from 2010 onwards for all customers' accounts in order to determine which customers were charged a reminder fee after 1 July 2005. As regards the period before 2010, the bank has applied another method, which is described below in section 9.4.2.5.1.1.1.

Subsequent to the above estimation of the number of affected customers, the bank has, however, identified two new types of reminder fees that were not included in the original search for affected customers.

In this connection, the bank has stated that it has found that approximately 512,000 customers are in fact affected by the issue and are therefore entitled to compensation. As shown in the figure below, most of the affected customers have been charged one or more reminder fees in the FEBOS banking system.

Figure 12 – Number of affected customers by IT system

	Number of affected customers

FEBOS customers that have not been transferred to the DCS	434,100
FEBOS customers that have transferred to the DCS	73,800
MDS customers (the mortgage system) that have been transferred to the DCS	2,200
PF customers (Realkredit Danmark)	1,900
Total	512,000

In connection with the figure above, please note that, according to information received, no interest is charged on reminder fees in the mortgage system, the MDS, and that the customers are therefore affected only by the issue in this system if they have subsequently been transferred to the debt collection system, the DCS, which calculates interest on the fees.

Please also note that, according to information received, no additional reminder fees are added in the DCS, and customers registered in the DCS are therefore only relevant if they have been charged a reminder fee in another system before being transferred to the DCS.

In relation to the bank's search for customers, we understand that the bank has relevant data available electronically for the period 2010-2021. To the extent that data has been available in an electronic form, the bank has been able to determine directly by searching the data in question which customers have been charged one or more reminder fees.

However, for the period 2005-2010, data has not been available in an electronic form, and the bank has therefore had to extract data from PDF copies of the customers' account statements. In this connection, the bank used a so-called scraping method, which is intended to convert data in the PDF files into a structured database format. As it has not been possible to apply the method to all customers, there is a risk that the bank has not identified all customers who have been affected by the issue during the period from 2005 to 2010. The bank has stated that, for approximately 7,500 customers (corresponding to 0.98%), data issues have made it impossible to determine whether these customers have been charged a reminder fee. The bank has thus had to disregard these customers even if they may have been charged a reminder fee. For a detailed description of the bank's search for potentially affected customers, see section 9.4.2.5.1.1 below on the calculation model for the FEBOS banking system.

9.4.2.4 Notification of customers in relation to sub-issue 2a

Our report of 31 October 2021 states that the bank had sent information letters to approximately 346,000 customers. The letters informed the customers that they had previously been charged a reminder fee and that the bank was investigating whether the customers had paid interest on the reminder fee. The letters

also stated that the customers did not have to do anything and that the bank would contact them again with additional information. The letters also referred to the bank's website, where the customers could read more about the issue.

The bank has thus initially taken a communication approach in which the bank informs the potentially affected customers relatively early in the process with a view to informing customers again in connection with completion of the bank's investigation and any payment of compensation.

As described in section 9.4.2.3 regarding affected customers, after having sent the original information letters, the bank identified additional reminder fee types on which the bank had charged interest. This has made it necessary to inform customers again, including customers who had already received compensation for the initially identified fee types and customers who had not previously been identified as affected by the issue.

In these scenarios, the bank has chosen a different communication approach as, in these situations, the bank has decided not to inform the affected customers until the payment of compensation. The same applies to a group of customers who had previously received compensation, but in respect of which the bank has subsequently identified that the customers had received compensation that was too low as a result of an error in the bank's calculation model, which is described in more detail in section 9.4.2.5.1.1.6.

The bank has stated that, as at 2 May 2022, it had tried to send a letter to all potentially affected customers. This was either a letter stating that the customer was potentially affected by the issue and that the bank would provide additional information at a later stage or a letter stating that the bank had paid compensation to the customer as a result of the issue.

The bank has also stated that a number of customers have not, however, received an information letter from the bank, even though the bank was of the opinion that the letters had been sent. This is because the bank's IT system have flagged the customers to indicate that the customer's address details are subject to uncertainty, which has caused the system to block the sending of physical letters to these customers. However, the bank has not been aware of this because the system has not generated an error message that the letters could not be sent. In this connection, the bank has stated that it will try to notify these customers at a later date, but the bank has not provided a specific time horizon for such notification.

9.4.2.5 Calculation of compensation for sub-issue 2a

For the affected customers, the bank has examined to what extent the customers are entitled to compensation. In this connection, the bank has prepared or is preparing draft documentation of calculation models for all four IT systems affected by this issue – i.e. the general banking system (FEBOS), the mortgage

system (MDS), the bank's primary debt collection system (the DCS) and the bank's debt collection system for claims that originate from Realkredit Danmark (PF).

In this connection, we note that the bank has submitted only draft documentation of the calculation models. On 2 May 2022, we received the bank's latest draft documentation of the calculation models for the FEBOS, DCS and MDS systems, for which the bank reserves the right to make further corrections. We have not received a calculation model for the PF system.

According to information received, interest is not charged on reminder fees in respect of the MDS, as stated above. The calculation model for the MDS thus concerns only the question of how the bank determines that a customer has been transferred from the MDS to the DCS with a debt that potentially includes a fee. The actual compensation for wrongfully added interest must therefore be calculated using the calculation model for the DCS. However, the DCS calculation model does not currently include information on how compensation is calculated for these customers.

Consequently, we will consider only the bank's draft calculation model for the FEBOS banking system and the bank's draft calculation model for customers who are or have been registered in the DCS with a fee added in the FEBOS banking system.

In this connection, we note that, according to information received, these two groups of customers clearly represent the majority of customers entitled to compensation in relation to additional issue 2a. The bank has stated that, as at 2 May 2022, payments had been made to approximately 377,100 FEBOS customers and approximately 44,900 customers who are or have been registered in the DCS with a reminder fee added in the FEBOS banking system.

In comparison, customers who are entitled to compensation in relation to the MDS and PF systems total approximately 2,200 customers and approximately 1,900 customers, respectively (see figure 12 above). According to the bank, these customers also received compensation on 5 May 2022 to the extent the bank was able to make payments to these customers.

9.4.2.5.1 The bank's calculation models for sub-issue 2a

9.4.2.5.1.1 The calculation model for FEBOS customers

As previously mentioned, most of the affected customers have been registered only with a reminder fee in the FEBOS banking system.

The calculation model for the FEBOS banking system calculates the customer's compensation in four steps, all of which are described in detail below:

1. First, the customer's transaction history is reviewed in order to identify added reminder fees.
2. Next, a number of assumptions are used for calculating compensation for interest calculated by the bank on the reminder fee during the period from the addition of the reminder fee to the customer's payment of the reminder fee, if relevant.
3. Subsequently – also on the basis of a number of assumptions – a compensation is calculated for the amount potentially (additionally) overdrawn by the customer following payment because the customer has paid interest wrongfully added by the bank.
4. Finally, a time compensation is calculated for the time the customer could have had the money available, i.e. from the period when the customer paid the wrongfully charged interest until the bank's payment of compensation.

9.4.2.5.1.1.1 Step 1 – Identification of charged reminder fees

As mentioned above, the first step in the process is to identify all customers who have been charged a reminder fee in the FEBOS banking system.

According to the bank, this is not a problem in respect of reminder fees added after November 2010 because the bank has all transaction data available in a structured database from that time. The bank can thus relatively simply determine to which accounts a reminder fee has been added in the period after November 2010.

For the period prior to 2010, customer transaction data is not available in a structured database. In its reminder system, the bank can see which customers have been sent a reminder, but because not all reminders have included fees, the bank has decided not to calculate compensation for all customers who have received a reminder. Instead, the bank has opted for a method according to which the bank tries to recreate the transaction history for these customers using a so-called scraping technique in which the customers' old account statements, which are available to the bank in a PDF format, are loaded by the system and converted into a structured database format. In this way, the bank can search for customers who have actually been charged a reminder fee.

However, this approach has been subject to certain challenges. Firstly, the loading of approximately 7,500 customers' account statements failed, which, according to information received, corresponds to 1.4% of the accounts for which a reminder was sent in the period 2005-2010. The bank has therefore not been able to establish whether these customers have been charged a reminder fee. According to information

received, the bank has thus had to disregard these customers in its calculation of compensation because, in the bank's opinion, the data could not be restored in any other way.

Secondly, according to information received, there is a small group of products for which the reminder fee is charged to an account other than the account for which the reminder is sent. These reminder fees will not be identified by the bank's method either because data is not available, which means that these customers will not be compensated for interest charged on the fee by the bank. The bank has stated that it does not consider it possible to identify the customers in question in any other way.

We therefore find that certain customers have potentially been charged a reminder fee on which the bank has charged interest that will not be identified by the bank's calculation model as data was not available to the bank. However, we are not able to assess the number of customers involved, nor do we have any basis for concluding that customers could have been identified in a different way than by a full and manual review of their account statements.

After having converted its customers' account statements into a structured data format, the bank has searched all entries booked with the text "rykkergebyr" (reminder fee), "ekspeditionsgebyr" (administration fee) or "gebyr" (fee) or relevant translations thereof. Thus, if a reminder fee has been booked with another text, the fee will not be identified. However, the bank has stated that all reminder fees in the FEBOS banking system have been booked under one of the three names mentioned above or the identified translations thereof.

9.4.2.5.1.1.2 Step 2 – Calculation of compensation for interest added to the reminder fee

When step 1 of the calculation model has established that a fee has been charged to an account, compensation is calculated for interest added to the fee during the period from the charging of the fee to the payment of the fee.

The bank can see from the available data when a fee has been charged. However, it has not been possible in all cases to determine from the available data the interest rate or the frequency of interest accrual applied to each account or to establish exactly when the individual fee, including accrued interest, was paid. The calculation model is therefore based on a number of assumptions, which are described in detail below.

As regards the rate of interest charged on the fee, the bank has, according to information received, data available in this respect for the period after the 1 January 2017. The bank can thus exactly determine the rate of interest charged on a fee in the period after 2017.

For the period before 2017, the bank cannot, on the basis of the data available, determine the interest rate applicable to each account. The bank has therefore applied an interest rate of 20.5% for the period before 9 July 2009 and an interest rate of 18.5% for the period between 9 July 2009 and 1 January 2017. According to the bank, these interest rates reflect the highest overdraft interest rates observed in the bank's systems during the period, and the use of these interest rates will thus not lead to undercompensation of the customer. On the contrary, it is assumed that most of the affected customers paid significantly lower interest rates throughout or in parts of the relevant period.

As regards the frequency of interest accrual, the bank assumes that interest was added to all affected accounts each quarter. According to information received, this is based on the assumption that, for 99.6% of all accounts with the bank, interest is added on a quarterly basis. In this connection, the bank states that, for about 0.4% of all accounts, interest is added on an annual basis, whereas, for less than 0.1% of all accounts, interest is added on a monthly basis.

If interest is added to one or more of the affected accounts on an annual basis, the assumption of addition of interest on a quarterly basis will lead to overcompensation of the customer. Similarly, all else being equal, it will lead to undercompensation if the affected customer has actually had monthly addition of interest, which must, however, be considered unlikely, see above.

As regards the determination of the date on which the fee was paid, the bank has also made a number of assumptions.

Firstly, the calculation model assumes that the fee is always the first to be covered in the account. The calculation model thus determines the payment date as the date on which the sum of positive entries made after the entry of the fee exceeds the fee amount.

If the fee is only partially paid, the fee is not considered to have been paid. Thus, it is only when the sum of the subsequent positive entries exceeds the fee amount that the fee is considered to have been paid. In our opinion, this cannot lead to undercompensation of the customer.

As we understand the model documentation, the calculation model also assumes that interest charged on the fee until the payment date *has* been paid once the fee has been paid. We have not had the opportunity to verify the basis for this assumption, and the assumption gives rise to doubt given the prior assumption that the fee is always the first to be covered when payments are booked to the account. Thus, there may and will be cases in which the fee has been paid but interest has not, and in this case, the model will probably lead to undercompensation of the customer. We have no basis for assessing how often this situation will occur, but the bank has stated that, in its opinion, it will occur rarely. We have not seen any

documentation of this assumption. We will follow up on whether we have understood the assumption correctly and whether the bank has made a relevant assessment of the significance of the assumption.

In some cases, there may subsequently be insufficient funds to cover a payment, which means that a registered payment is subsequently reversed or cancelled. The bank states that the calculation model takes such situations into account, but the data does not directly show whether an entry represents such a reversal. The bank thus defines a payment not covered by sufficient funds as a payment for which an entry is made to set off the amount in question either up to 14 days before or up to 14 days after the original entry. Thus, if a payment has not been reversed until 15 days after the original entry, or if the payment has been only partially reversed, the reversal will not be identified by the calculation model. In such cases, the calculation model may lead to undercompensation of the customer since payments that have subsequently been fully or partially reversed are included when the payment date of the fee is determined. In these special cases, interest may therefore have been charged on the fee after the bank has registered that it was paid. We have not been able to assess whether this situation has occurred and, if so, in how many cases, but fundamentally, we agree with the bank that the method used is likely to have identified the relevant reversed payments.

Overall, we believe that the calculation model, in relation to this part of the calculation, will in virtually all cases lead to overcompensation of the customer, although we cannot completely rule out that this part of the calculation model may in some cases lead to a small undercompensation of the customer, including if the assumptions mentioned above are not correct.

9.4.2.5.1.1.3 Step 3 – Calculation of compensation for the amount potentially (additionally) overdrawn by the customer due to the customer's payment of wrongfully added interest on the reminder fee

In the third step of the calculation model, interest is calculated on the excess amount paid by the customer, see step 2 of the calculation model.

According to information received, the bank has no data available to determine whether the customer's account was overdrawn after the customer had paid the reminder fee and wrongfully added interest to the fee. In step 3 of the calculation model, it is therefore assumed that the customer's account was still overdrawn after the payment of wrongfully added interest.

In step 3 of the calculation model, interest is therefore calculated on the "excess" amount overdrawn by the customer as a result of the customer's payments being used for covering interest that the customer should not have paid.

Such interest is calculated using the same interest rates and frequencies of interest accrual as described above for step 2, and interest is calculated from the estimated time of payment until the time when the account is closed or transferred to the DCS or when compensation is paid to the customer. The calculation model assumes that the customer's account in the DCS is overdrawn for the entire period since the reminder fee was charged. In our opinion, this assumption cannot lead to undercompensation of the customer and will often lead to overcompensation.

9.4.2.5.1.1.4 Step 4 – Time compensation

In step 4 of the calculation model, a time compensation is calculated for the time when the customer could have had access to the money. In this connection, the bank calculates interest on the excess amount paid by the customer and estimated in step 2 of the calculation model.

The time compensation is calculated from the date on which the bank has estimated that the customer paid the wrongfully charged interest and until the bank's payment of compensation.

In this connection, the bank states that the interest rate for the calculation of the time compensation is determined in accordance with section 5 of the Danish Interest Act, which determines the interest rate on the basis of the official lending rate set by the Danish central bank on 1 January and 1 July with a statutory margin.

We note that the bank does not appear to have determined the interest rate correctly in accordance with section 5 of the Danish Interest Act. The bank has thus stated that it has calculated the time compensation based on the lending rate set by the Danish central bank and not on the lending rate set by the Danish central bank on 1 January and 1 July each year. The bank has thus taken into account all changes to the lending rate set by the Danish central bank and not simply applied the rate in force on 1 January and 1 July of each year.

In this connection, we note that it is not possible for us to assess whether the interest rates determined by the bank have resulted in a higher or lower compensation to the customer as compared with a situation in which the interest rate is determined in accordance with section 5 of the Danish Interest Act. This will depend on the period for which the time compensation is calculated. The bank has stated that, in continuation of our comments, it has performed an analysis showing that no customers have been undercompensated because of this error, which, according to information received, is primarily due to the fact that the bank's calculation model assumes that that there are 360 days in a year and not 365 or 366 days. The bank has not submitted the analysis in question to us, and therefore, we cannot reach a final conclusion on this matter in connection with this report.

In addition to the above, we also note that, in its communication to customers about the calculated compensation, the bank has stated that the time compensation is calculated on the basis of section 5 of the Danish Interest Act and that the time compensation is calculated from the time of collection, which is also incorrect, see the above description of the bank's assumptions in step 2 of the model, which shows that interest is calculated from the time when the fee is deemed to have been paid and that interest is therefore also deemed to have been paid. The communication to customers in connection with compensation is described below in section 9.4.2.6.3.

9.4.2.5.1.1.5 Summary of the calculation model for FEBOS

In summary, we note, in respect of the calculation model for FEBOS, that the bank's method for identifying the accounts to which a reminder fee has been charged is associated with a risk that customers will be undercompensated or not compensated at all for interest on reminder fees if the reminder fee was added before November 2010. According to information received, the bank has not been able to obtain relevant data in respect of 1.4% of the accounts for which a reminder was sent during the period 2005-2010. In the documentation of the calculation model, the bank has also identified this issue as one of the model's main risks. In this connection, the bank has noted that the risk has been accepted because the data recovered from the customers' account statements concern time-barred debt.

In this connection, we note that the limitation date for any claim for repayment from the customer is not calculated from the time when the relevant reminder fees were charged to the customer. In our opinion, the limitation date must instead be calculated from the date on which the customer paid wrongfully added interest on the reminder fee. Thus, it cannot be established with certainty that the customer's claim for repayment is time-barred simply because the relevant reminder fees have been added to the customer's account before November 2010. Reference is made to section 6.1, which states that the bank generally has a principle to the effect that it will pay compensation without taking into account the time-barring of claims for repayment under the law of property.

In connection with the above, the bank has, however, also stated that it does not consider it possible to restore data for the remaining 1.4% of the accounts in relation to which customers received a reminder during the period 2005-2010, except by means of a complete and manual review of these customers' account statements.

Finally, please note that the calculation model for FEBOS does not calculate the time compensation in accordance with section 5 of the Danish Interest Act, and the time compensation is not calculated in accordance with the information provided to the customer in connection with the payment of compensation.

Subject to these reservations and subject to the reservation that the model is documented in draft only, we acknowledge that the model is likely to lead to payment of full compensation or more to the majority of the bank's customers as a result of the error detected.

9.4.2.5.1.1.6 Matters regarding changes in the calculation model during the process

In November 2021, the bank identified an error in the method used by the bank for calculating interest in steps 2 and 3 of the calculation model. At that time, the bank had already paid compensation to around 131,000 customers. After the bank had corrected the interest calculation error in the calculation model, it turned out that approximately 121,000 of these customers were entitled to additional compensation according to the calculation model.

The bank changed this number by changing the assumption described above that the customer's account is assumed to have been overdrawn for the entire period after the fee was added. The calculation model was thus adjusted to assume that the accounts of these customers had been overdrawn only during 80% of the period in which the account had been registered in FEBOS after payment of the fee. In this way, the bank ensured that only about 30,600 customers were entitled to additional compensation as a result of the interest calculation error. The bank has subsequently paid additional compensation to these approximately 30,600 customers.

The bank notes that, in relation to the assumption that customers' accounts had been overdrawn only during 80% of the period when the customer was registered in FEBOS after the fee was added, the bank has made an analysis of the cases in which data on account balances was available, showing that customers' accounts had been overdrawn on average during 23.18% of the period when the customer was registered in FEBOS. Against this background, the bank has assessed that the adjusted assumption has not led to undercompensation of customers, but that the model continues to lead to overcompensation of most of the customers.

It cannot be ruled out that individual customers have been undercompensated by a small amount as a consequence of this assumption, but the bank finds it very unlikely. In any case, it must be noted that the 121,000 customers compensated according to the first version of the calculation model have been compensated by a relatively smaller amount than customers compensated according to the latest version of the calculation model, in which the error has been corrected.

9.4.2.5.1.2 Calculation model for the DCS for customers coming from FEBOS

As described above, the bank's debt collection system, the DCS, handles customer defaulted bank exposures. The bank does not add any additional reminder fees to the customer's debt while the customer is

registered in the DCS, but the system calculates interest on reminder fees and interest from FEBOS, and customers registered in the DCS may therefore be entitled to additional compensation.

Thus, the DCS calculation model starts where the calculation model for FEBOS ends, and the result from the calculation model for FEBOS thus represents the initial balance of the DCS calculation model.

The DCS calculation model calculates the customer's compensation in two steps, which are described in detail below:

1. Calculation of compensation for wrongful addition of interest in the DCS on the basis of reminder fees transferred from FEBOS and interest wrongfully added while the customer was registered in FEBOS (see above).

2. Time compensation calculation.

9.4.2.5.1.2.1 Step 1 – Calculation of compensation for interest and compound interest wrongfully added to fees from FEBOS while the account was registered in the DCS

As described above, the DCS calculation model initially receives input from the FEBOS calculation model. The input consists of information about the customer ID, information about the extent to which the debt from FEBOS contains fees, and information about the compensation for wrongful interest already calculated using the FEBOS calculation model.

The first step in the DCS calculation model is then to calculate a compensation for interest and compound interest wrongfully calculated on the fee while the customer was registered in the DCS.

The bank is not able to identify the exact wrongfully calculated interest amount in the DCS. The bank has therefore made a number of assumptions in its calculation of the compensation. These assumptions will be described to some extent below.

The calculation model itself and the underlying assumptions are only briefly described in the documentation that we have received from the bank. Furthermore, we note that the documentation of the calculation model is still available in draft only and that changes may therefore still be made to the documentation. As for the FEBOS model, our comments should consequently be viewed in the light of this.

The calculation model is basically designed in a way that, for each day the account has been open in the DCS, interest is calculated on the actual reminder fee and on interest calculated up to the day in question. This means:

Interest on day 1 = (outstanding debt on the reminder fee + wrongful interest in FEBOS) * interest rate
Interest on day 2 = (outstanding debt on the reminder fee + wrongful interest in FEBOS + interest on day 1) * interest rate
Interest on day 3 = (outstanding debt on the reminder fee + wrongful interest in FEBOS + interest on day 1-2) * interest rate
etc.

The compensation in the DCS is calculated as compound interest added daily. The interest rate is the interest rate applicable to the customer's account in the DCS. If the main account in the DCS has been linked to a term deposit account, the interest rate from the term deposit account is applied if this is higher than the interest rate on the main account. The interest rate applied and the frequency of interest accrual do not appear to lead to undercompensation of the customer.

In the DCS, interest is added to the calculation model for each day the account is open, i.e. until it is closed, and for each day that interest is added, the calculation model checks whether payments have been made to the account. If payment has taken place on the day in question, the payment is deducted from the outstanding debt for the reminder fee until the reminder fee is considered to have been paid. Subsequently, only compound interest is calculated.

In connection with such payments, the calculation model assumes that payments cover the actual reminder fee before interest charged thereon and before the principal of the debt and other costs. The bank's documentation of the calculation model shows that there may be cases in which this is contrary to what was in fact agreed with the customer. In these cases, all else being equal, the assumption will lead to undercompensation of the customer. At this time, we have not gained insight into how many customers – if any – have actually been undercompensated as a result of this assumption, but we assume that agreements such as these do not occur often.

According to the documentation, the calculation model takes time-barring into account. This means the calculation model deducts time-barred interest from the customer's compensation since it is assumed that the customer did not pay interest that was time-barred. It is not clear from the documentation how the calculation model specifies whether calculated interest is time-barred. Thus, we cannot see whether the calculation model sufficiently takes into account that the time-barring of the interest amount may have been suspended and that interest may have been paid by the customer before becoming time-barred. We will follow up on this with the bank.

In conclusion, we believe that the bank's calculation model is sparsely documented. Thus, there are significant parts of the calculation model that cannot be identified directly from the documentation, and there are several assumptions underlying the calculation model that are inadequately explained in the documentation.

9.4.2.5.1.2.2 Step 2 – Time compensation

In the second process step of the calculation model, a time compensation is calculated. This time compensation is also described only very briefly in the documentation that we have received from the bank. It appears from the documentation that the time compensation is calculated in accordance with section 5 of the Danish Interest Act and that the time compensation is calculated for the number of days between the compensation date and the date of completion of the case, although these dates have not been defined.

We are therefore unable to assess whether the time compensation actually complies with section 5 of the Danish Interest Act or whether the calculation model for the DCS has the same deviations as those described above concerning the calculation model for FEBOS. At a meeting held on 24 May 2022, the bank stated that the time compensation was not calculated in accordance with section 5 of the Danish Interest Act or in the same way as in the calculation model for FEBOS. However, the bank has stated that it has applied an interest rate that results in higher compensation for the customers affected than if the interest rate had been calculated in accordance with section 5 of the Danish Interest Act. We have not received any documentation supporting this statement, and therefore, we cannot reach a final conclusion on this matter in connection with this report.

In any event, we find that the time compensation is not calculated from the time of collection, as stated in the letters sent to customers in connection with payment of compensation, see section 9.4.2.6.3.

9.4.2.6 Payment of compensation in relation to sub-issue 2a and communication to customers

9.4.2.6.1 The bank's approach to payment of compensation

The bank has chosen an approach whereby the bank generally pays the calculated compensation to the customer's NemKonto regardless of whether the customer is currently registered as having outstanding debt to the bank.

However, the bank has made an exception to this approach. This applies to cases in which the bank has made a so-called final correction to the customer's account in connection with the closing of the account in the DCS.

The documentation of the calculation model for the DCS shows that the bank does not pay compensation to the customer if the customer's account has been manually adjusted by more than DKK 500 (in the customer's favour) during the last five days before the account was closed in the DCS, and if the manual final correction of the customer's account otherwise exceeds the customer's claim for compensation.

The bank has stated that, in these cases, no statement regarding offsetting will be sent to the customer. In cases where the customer was previously informed that he or she could potentially be affected by the issue, the bank has, according to information received, sent a new letter to the customer stating that the customer was not covered by the issue anyway. If the customer has not previously received any information, the customer will not receive any information from the bank about the issue.

In connection with the above, we note that, according to information received, the data does not state the reason why the individual accounts were finally corrected in connection with the closing of the account in the DCS. At a meeting, we asked the bank whether the final correction might indicate that the debt was time-barred or the customer had won a complaint, but the bank could not explain this at the time. Therefore, on the basis of the material we have received, we cannot confirm that the customers in question would not be entitled to compensation to the same extent as the other affected customers.

If the bank believes that it may perform offsetting against the debt previously written down, we assess, on the basis of information received, that the bank should notify the customer. In this connection, we do not consider it sufficient simply to inform the customer that the customer was not affected by the issue.

Initially, the bank has also decided not to pay out compensation to customers if their NemKonto account is a foreign account and if the customer is entitled to less than EUR 1. According to information received, the bank is currently considering whether a triviality limit should apply to these customers, but the bank has not yet made a final decision. The material available does not indicate which type of communication these customers will receive from the bank, if any.

For customers who do not have a NemKonto account or where the payment to the customer's NemKonto account has failed, the bank will attempt to contact the customer to obtain information from the customer about the account to which the customer wants the compensation to be credited.

Since the bank is unable to determine, on the basis of the data available, who has paid the amount of wrongfully charged interest, the bank has laid down a number of rules stipulating to whom compensation is to be paid.

In the case of compensation calculated according to the calculation model for FEBOS, compensation is paid to the natural person who "owned" the account at the time when the fee was added. If several natural persons held the account at that time, the bank distributes the compensation to the various owners based on their respective ownership interest (for personal customers, it is likely that spouses/registered partners have held an account in equal ownership).

For business customers in FEBOS, compensation is paid to the most recent owner of the account.

As regards accounts in the DCS, according to information received, the ownership of the account does not change in the same way because these are cases in which debt is being collected. The compensation is thus paid to the customer holding the account.

If there are several customers holding the account in the DCS, the compensation is distributed based on the proportion of all payments in the account that come from each customer.

We note that the method generally seems to involve a certain risk that the bank will pay out the compensation to the wrong customer because the bank cannot determine who has actually paid the amount of wrongfully charged interest. However, we note that, in our opinion, the bank has made sufficient investigations to establish with reasonable certainty that the bank has paid the compensation to the right customers.

9.4.2.6.2 Status for payment of compensation in relation to sub-issue 2a

The bank has stated that, as at 2 May 2022, it had paid compensation to approximately 422,000 of the approximately 512,000 affected customers.

In this connection, the bank has stated that, as at 5 May 2022, payment had been made to an additional approximately 2,000 customers so that, as at 5 May 2022, the bank had not yet paid compensation to approximately 88,000 affected customers.

The bank has stated that the customers who are still to receive compensation after 5 May 2022 represent the following customer types:

- foreign customers (about 1,500 customers)
- customers for whom it has not been possible to pay compensation to their NemKonto account (about 29,500 customers)
- "deleted customers" for whom the bank has data on the customer's transaction history but does not know the customer's identity (about 2,500 customers)

- estates of deceased persons, bankruptcy estates and debt relief cases (about 37,900 customers)
- customers whose account with the bank is blocked for payments as a result of AML rules or other internal rules (about 6,000 customers)
- customers registered as open in the DCS or PF system but never having made a payment (about 9,300 customers)
- customers who are to be processed manually in the PF system (about 700 customers)

The bank has stated that these customers will be handled in a separate step. In this connection, the bank was not able to inform us when it expects to pay compensation to the remaining customers.

9.4.2.6.3 The bank's communication to customers in connection with compensation in relation to sub-issue 2a

The bank has generally informed customers about the payment of compensation in two different ways. If the customer has received compensation of DKK 10 or more, the bank has chosen to inform the customer by sending one or more letters to the customer in connection with the payment of the compensation. If, on the other hand, the customer has received compensation of less than DKK 10, the bank has chosen not to send any letters to the customer. Instead, the bank has inserted a text in connection with the transfer to the customer's account so that the customer can see this text on his/her account statement.

Most customers notified by letter have received the bank's communication sequentially. Thus, some customers have received an information letter informing them that they were potentially affected by the issue, but at a later date they received a conclusion letter informing them either of the amount of the compensation or that the customer was not affected by the issue after all. Some customers have also received a letter stating that they were entitled to additional compensation because the bank had identified new types of reminder fees, and customers may have received a letter stating that they were entitled to additional compensation as a result of the bank's interest calculation errors as described in section 9.4.2.5.1.1.6. Finally, some customers have been sent a letter stating that the compensation is taxable since the bank received only a binding answer to this effect from the Danish tax authorities after compensation had been paid out to a large extent. Other customers have received all the information in one letter in connection with the payment of compensation.

As regards customers notified of the payment on their account statements, we note that the bank has chosen not to send these customers a follow-up letter regarding the tax implications of the payment. In order to be updated on the tax implications, these customers have had to keep themselves up to date with the website that the bank had informed them about when the compensation was paid out. In addition,

we have found that, for a period of time, the bank made news about the tax implications of the compensation available on the front page of the bank's website.

In relation to the contents of the letters, we note that the letters are generally very brief and that they do not provide the customer with detailed insight into how the compensation is calculated.

As such, the letters merely state that the bank has charged interest on reminder fees, which is not permitted after 2005, and that any interest paid is now repaid to the customer with compensation for the period in which the money could have been available to the customer.

The letter states that the reminder fee relates to the period 2005-2020, including the relevant account number and a specification of the amount of overcollected interest and the amount of time compensation.

The letters do not explain that the compensation has been calculated on the basis of a number of assumptions because the bank has not had sufficient data available, but it is stated that the amount paid out is taxable because the bank is repaying more than it is legally obliged to do.

Finally, it is stated that the time compensation has been calculated from the date of collection until the time of payment at the interest rate that follows from section 5 of the Danish Interest Act. As stated above, this is not correct since, according to the documentation for the calculation model for FEBOS, the bank has not calculated time compensation from the date on which the bank has estimated/assumed that the fee and interest had been paid, and in relation to the DCS, the bank has not calculated time compensation until the date on which the account was closed in the DCS. Moreover, the bank has used an interest rate that is not entirely consistent with the interest rate that follows from section 5 of the Danish Interest Act (see also section 9.4.2.5.1.1.4).

In conclusion, we note that the bank's communication to the customers contains certain errors in relation to the bank's calculation of time compensation. As far as the other information in the letters is concerned, we note that this is very brief and not suitable to give the customer real insight into how the compensation is calculated. In this connection, reference is made to section 1.1.4 on the Danish FSA's opinion on customer access to insight into the calculation on which the compensation paid is based.

As regards customers notified through their statement of account, we note that this information is even more brief and that many of these customers have not been informed of the tax implications of the payment.

Finally, we note that the bank has chosen to send a letter stating that the customer is not affected by the issue to customers who do not receive compensation because the bank has chosen to "set off" the amount

if the customer's debt was previously written down by more than DKK 500 in connection with the closing of the customer's account in the DCS. As stated above, we cannot determine whether this "set-off" is justified because we do not know the basis for the previous write-down. Even if the bank is in fact entitled to set off the customer's compensation against the debt that the bank has cancelled or written down in connection with the closing of the customer's account, we find it that it would be best practice if the bank informed the customer about this in connection with the set-off.

9.4.2.7 System and data corrections in relation to sub-issue 2a

As of 2 May 2022, we do not have detailed information about or insight into how the bank will correct the data registered in connection with the payment of compensation to the customers.

Also, as of 2 May 2022, we do not have detailed information about or insight into the system corrections that the bank has planned in order to ensure that the systems will not, going forward, calculate interest on fees when the bank at some point resumes its practice of imposing reminder fees on and adding interest to customers' debt. According to information received, the bank does not yet have such a timetable.

9.4.2.8 Summary assessment in relation to sub-issue 2a

To sum up, firstly, we note that there may be customers who have been charged a reminder fee in the period before 2010 and who are not covered by the bank's compensation calculations because the bank has not been able to identify the customers using its in-house method.

Secondly, we note that the bank's documentation of the calculation models used as at 2 May 2022 is still available in draft format only. Accordingly, we cannot make a final assessment of these at this stage in so far as changes are made to them. It should be noted that the calculation model for the DCS appears to be described very superficially, and we have still not received the calculation model for the PF collection system.

Thirdly, as regards the calculation model for the DCS, we note that we cannot establish with certainty that the bank has been entitled to not pay compensation to customers whose cases have been finally corrected before their accounts were closed in the DCS. In any case, we do not believe that it is in accordance with good practice that these customers have only been informed that they were not affected by the issue.

Fourthly, we note that, according to information received, payment of compensation to approximately 88,000 affected customers is still pending after the payments made in May 2022.

Lastly, we note that the bank's communication to customers appears very brief and that there is a discrepancy between the way in which the time compensation is calculated according to the draft documentation of the calculation models and the information provided to customers in connection with the payment of compensation.

Subject to the above matters, we believe that the vast majority of customers who have received compensation, probably because of the interest rates applied by the bank and because of other assumptions made by the bank, have received full compensation or more than this. We will follow up on the issue when the bank's work on payment of compensation has been completed, when the models have been finalised and when clarification is available about the assumptions for which we have not yet been able to verify the basis.

9.4.3 Additional issue no. 3 – Errors in connection with the correction of cases in the PF system

Additional issue no. 3 concerns errors in connection with the bank's manual correction of 4,500 customer cases in the PF system with errors having been identified in the case processing guidelines used in connection with the correction for root cause 1 during the period from August 2019 to October 2020.

Overall, the status of the bank's work on this issue has not changed since our report of 31 October 2021, and the bank has not presented us with any further information or solutions to this issue. Therefore, this report does not contain any new conclusions in relation to issue no. 3, which has currently passed Gate 1, see section 9.3.

However, the following sections contain certain observations and follow-up on what was stated in our report of 31 October 2021.

9.4.3.1 The bank's identification of scope and its information to affected customers

In our report of 31 October 2021, we noted that the bank had prepared a general letter of information for purposes of notifying customers of the risk of errors due to a number of additional issues, including additional issue no. 3. The bank expected to have notified all customers of issue no. 3 by the end of October 2021.

We understand, however, that distribution of the letter to a number of customers was subsequently delayed and was not completed until April 2022, which, according to the bank, was due to an error in the bank's filtering process, which is described in more detail in section 5.2.2 above.

By way of the template letter, customers are briefed about the issue and informed that the bank is still investigating whether their debt case is covered by the issue.

As we understand it, the bank *has* at this point sent out letters of information to customers who may be affected by additional issue no. 3.

9.4.3.2 The bank's preliminary analyses regarding compensation

In our report of 31 October 2021, we noted that the bank's analyses had not yet disproved that it might have to compensate customers who had paid too much as a result of the error. A conclusion would rely on a calculation of the correct debt to the bank itself and to Realkredit Danmark, respectively. At the time, it was not yet clear whether all the potentially affected cases had to be corrected manually.

On 25 April 2022, we were notified by the bank that it had not yet begun the process of calculating and paying compensation in relation to additional issue no. 3. We have not received any further information about this issue from the bank since our report of 31 October 2021.

We note that issue no. 3 concerns cases which the bank has previously attempted to correct in the PF system by a manual process. As such, these cases were previously flagged green in connection with the so-called red/green checks, see our report of 31 October 2021, section 6.3. The bank has stated in this connection that the cases previously categorised as green were checked in the spring of 2022 by means of the data models used for calculating compensation in relation to the four root causes. Reference is made to section 4.3 for further details.

9.4.4 Additional issue no. 4 – Reporting to RKI, etc.

Additional issue 4 concerns two sub-issues relating to errors in the bank's internal credit risk assessment and errors in reporting to RKI. The additional issue has passed Gate 1, see section 9.3. It is the opinion of the bank that there is no need for compensation of customers, and both Gate 2 and Gate 3 are thus not considered relevant.

9.4.4.1 Sub-issue 4a

Sub-issue 4a concerns the practice in the bank's internal systems of automatically assigning the bank's lowest credit risk classification, a so-called D4 credit classification, to all customers whose debt is transferred to the bank's debt collection systems.

According to information provided by the bank, the sub-issue can be divided into two scenarios: scenario 4a.1: in some cases the bank may have assigned customers a D4 credit classification on a wrongful basis, and scenario 4a.2: in some cases the bank may have maintained the D4 credit classification for too long.

According to information received, the bank will maintain the customer's D4 credit classification for six months from the date when a customer has repaid the debt, or for five years from the date when the bank is allowed to write off unsecured outstanding debt.

In connection with our report of 31 October 2021, the bank stated that it is of the opinion that it has not assigned any of its customers a D4 credit classification on a basis that was wrongful at the time of assignment (scenario 4a.1). At the same time, the bank informed us that there are currently approximately 7,600 cases in the bank's collection systems where there is a risk that the bank has maintained or will be maintaining its customers' D4 credit status for too long (scenario 4a.2). We have not subsequently received any information from the bank as to whether these figures have changed.

As described in our report of 31 October 2021, the bank stated at the time that the bank is of the opinion that customers who have been wrongfully assigned a D4 credit risk classification for too long in respect of scenario 4a.2 will not be entitled to compensation because the customers in question have not suffered any financial losses as a result of the bank's potentially incorrect internal credit assessment.

We have asked the bank to provide an explanation of the basis for its conclusion to the effect that customers who are affected by scenario 4a.2 are not entitled to compensation. The bank has stated that the conclusion that customers are not entitled to compensation has been reached on the basis of numerous analyses carried out at the bank that formed the basis of a conclusion that the incorrect internal credit classifications did not form the basis for decisions made by the bank in relation to the granting of credit etc. We have not obtained any further insight into these investigations. Therefore, on the basis of the information available to us, we are unable to assess whether, in relation to sub-issue 4a, customers could be entitled to compensation, even though we consider this to be unlikely.

In connection with the report of 31 October 2021, the bank stated that it would not inform affected customers about sub-issue 4a. The bank has assessed that no customers have suffered direct losses as a result of additional issue 4a. As a result, the bank has decided that no information will be sent to customers about this. However, customers may continue to report any indirect loss, and, if necessary, the bank will deal with these requests individually (see section 6.1.2).

9.4.4.2 Sub-issue 4b

Sub-issue 4b concerns issues relating to the bank's registration of customers in the RKI credit reference register, including the scenarios that the bank may have registered customers in RKI on a wrongful basis or with erroneous debt information (sub issues 4b.1 and 4b.3), and that the bank may have maintained the customers' registration with RKI for too long (sub-issue 4b.2).

As described in our report of 31 October 2021, the bank decided, on 22 October 2021, to withdraw from the RKI register those of its customers for whom a risk of error could be ruled out. It is our understanding that the bank has subsequently been in dialogue with Experian A/S (the owner of RKI) about which customers the bank had registered in the RKI register, and we also understand that, on 1 November 2021, the bank requested Experian A/S to delete from the RKI register those of its customers for whom a risk of error could be ruled out. According to information received, Experian A/S confirmed to the bank that the customers in question have been deleted from the RKI register. The bank has provided us with documentation for the withdrawal of registrations and the confirmation of the deletion of registrations from the RKI register.

The bank has further stated that it will not make new registrations of customers in RKI until the bank has ensured that its registered information about customer debt is correct, i.e. after the bank's correction of data in its debt collection systems ("write-back"). In this connection, the bank has stated that it has revoked employees' access to registering customers in RKI, which means that it is not possible for the bank's employees to register customers in RKI.

The bank has also stated that, in connection with the bank's resumption of debt collection, including registration of customers in RKI, control measures will be introduced to ensure fair registration of customers in the RKI register.

The bank has stated that, in November and December 2021, it sent a letter to the affected customers informing them of their deletion from the RKI register. We have received a copy of the bank's letter template. In the letter, the bank informs the customer that the customer's registration with RKI has been withdrawn while the debt and basis for registration are examined in more detail. The bank also states that some customers may be registered with RKI for other reasons and that some customers could be re-registered in RKI after the bank has completed its investigation. In this connection, the bank states that it will inform customers who are re-registered in RKI. Lastly, in the letter, the bank informs the customer that the customer can contact the bank if the customer disagrees with the how the bank has handled the customer's case and/or if the customer believes that they have suffered a financial loss as a result of the bank's registration of the customer in RKI.

In our opinion, the information in the letter template informs the customer sufficiently about the bank's handling of registrations in RKI.

As described in our report of 31 October 2021, the bank stated that it is the bank's opinion that customers who have been registered unjustifiably in RKI are not generally entitled to compensation but that the bank would process requests from customers for possible compensation according to the process established by the bank for handling notifications of indirect losses.

In this connection, we note that, in its information letter to the affected customers, the bank informs customers that they can report any indirect financial loss via a form on the bank's website.

9.4.5 Additional issue no. 5 – Vulnerable customers

Additional issue no. 5 has passed Gate 1, see section 9.3 above, and, as described immediately below, the bank has assessed that neither Gate 2 nor Gate 3 is relevant to this issue.

The issue concerns the bank's handling of particularly vulnerable customers. Following analysis, the issue has been closed by the bank based on the conclusion that the bank has not made any systemic errors and that there is therefore no need for payment of compensation or for making IT changes. On 28 February 2022, the bank furthermore confirmed that no findings have been made since the last report that have given rise to further follow-up. Accordingly, we consider this issue to be closed in relation to our investigation.

9.4.6 Additional issue no. 6 – Interest rates in the DCS and the PF

As described in section 9.4.6 of our report of 31 October 2021, additional issue no. 6 concerns a number of different issues in relation to the bank's calculation and addition of late-payment interest in the PF and the DCS systems. The bank has divided the issue into three sub-issues: 6a, 6b and 6c.

In relation to sub-issue 6a, it has not passed Gate 1, among other things because the bank is still investigating the scope of the issue. Regarding sub-issues 6b and 6c, both issues have passed Gate 1 because the bank has taken measures to stop the issues, initiated a preliminary analysis and informed the customers.

Sub-issue 6a concerns the bank's practice of setting late-payment interest rates in cases regarding unsecured mortgage loans that are transferred to the PF system. This practice, in which the bank sets the rate of late-payment interest at the loan's nominal interest rate at the time the case was transferred for

collection in the PF system, has resulted in the bank calculating and adding very low late-payment interest rates in the PF system in a number of cases – even adding negative interest in some cases.

Sub-issue 6b concerns a number of cases in which Danske Bank has adopted part of Realkredit Danmark's claim against a customer. In connection with this, the bank has in the DCS system calculated a higher rate of late-payment interest on the bank's share of the debt than the level of interest that Realkredit Danmark calculated on its share of the debt in the PF system, see sub-issue 6a above.

Sub-issue 6c concerns the fact that the bank's treatment of customers before 2010 was different to its treatment of customers after 2010 in relation to the transfer of customer cases for collection in the DCS. In a number of cases, which until 2010 were transferred for collection in the DCS, the bank has, pursuant to the specific agreement between the bank and the customer, calculated very high rates of late-payment interest. According to information received, the bank has since 2010 generally calculated late-payment interest at a rate of 7.05% (8.05% after 1 March 2013) for all cases in the DCS subject to a simple interest rate.

The bank's work in relation to sub-issue 6a undertaken since the publication of our report of 31 October 2021 is described in more detail in section 9.4.6.1.

According to information received, following our report of 31 October 2021, the bank has made a renewed analysis in continuation of its preliminary analysis of sub-issue 6c. Since the publication of our report of 31 October 2021, we have not received any information stating that the bank has undertaken further measures in relation to sub-issue 6b other than the work it has carried out to validate previous analyses. We understand that the bank's preliminary conclusions relating to these sub-issues are unchanged from the information stated in our report of 31 October 2021; consequently, the two sub-issues are not dealt with further in this report.

9.4.6.1 Sub-issue 6a

As described in section 9.4.6 of our report of 31 October 2021, the consequences of sub-issue 6a have generally been "positive" for the affected customers. In cases where the bank has added negative late-payment interest, customers have benefited in that the amount of their outstanding debt has in effect been written down (reduced) without the customers having repaid the debt.

To stop sub-issue 6a, which concerns the bank's calculation and addition of negative late-payment interest, according to information received, the bank has since 2018 adjusted any negative late-payment interest rates in the PF system to a rate of 0% p.a. According to information provided by the bank, the

customers affected have not been informed about this adjustment (increase) of the specific late-payment interest rates.

In connection with our report of 31 October 2021, the bank concluded that customers were not generally entitled to compensation for sub-issue 6a because, in the bank's opinion, these customers had not incurred any financial loss as a result of the bank's practice of setting the late-payment interest rate in the PF system. According to information received, the bank was at the time still investigating whether the affected customers could nevertheless be entitled to compensation as a result of the bank's efforts to change (increase) the customers' negative interest rates to 0% without informing and notifying customers accordingly.

At a meeting held on 25 April 2022, the bank stated that, on the basis of this investigation, it had concluded that it was not entitled to raise customer interest rates from a negative interest rate to 0% without notifying customers – even though the adjusted interest rate (also) was lower than the rate of 9% that the bank had reserved the right to charge when entering into the loan agreement with the customer. According to the bank, the affected customers are therefore entitled to compensation for this.

On the basis of the preliminary information about the bank's investigation that we have received, it is our understanding that, in connection with its investigation, the bank has adjusted the number of cases that may be affected by sub-issue 6a from the previously reported approximately 1,240 cases to now approximately 742 cases.

In addition, the bank has provisionally estimated the average compensation amount in each case at DKK 3,621. In this connection, we note that the bank has stressed the fact that the amount calculated is provisional and is still subject to considerable uncertainty at present and that figures may therefore change both up and down.

In this connection, we note that we have not received any information about whether the bank has currently prepared a specific model for calculating the affected customers' compensation, nor have we received specific information about the distribution of the compensation amounts payable to customers on an individual case basis.

Furthermore, we have not received information from the bank about when it expects to pay the compensation in question to the affected customers, including whether the compensation can be made by offsetting against the affected customers' potential outstanding debt in the PF system.

However, at a meeting held on 25 April 2022, the bank stated that it expects to send out an information letter by mid-June 2022 at the latest, informing customers affected by sub-issue 6a of the bank's above-

mentioned conclusion. We have not yet seen the bank's letter template because, according to the bank's information, the letter is still in the process of being prepared.

9.4.7 Additional issue no. 7 – Risk markers in the bank's systems

Additional issue no. 7 has passed Gate 1, see section 9.3 above, and as described in the following, the bank has assessed that neither Gate 2 nor Gate 3 is relevant in respect of this issue.

The issue concerns the bank's investigation of whether flawed data in reports generated by the bank's Tableau system may have led to overcollection from the bank's customers. The bank has completed its analysis and concluded that no customer compensation is required. On 28 February 2022, the bank furthermore confirmed that, since the last report, no findings have been made that have given rise to further follow-up. Accordingly, we consider this issue to be closed in relation to our investigation.

9.4.8 Additional issue no. 8 – Collection of too high legal costs

Additional issue no. 8 consists of two sub-issues concerning the collection of too high legal costs in connection with court proceedings both before 2008 (8a) and after 2008 (8b), the distinction being due to a change of the bank's practice in 2008. Both sub-issues have passed Gate 1 as the bank has taken measures to stop the problems, prepared an initial analysis and informed the customers. The bank assesses that Gates 2 and 3 are not relevant to sub-issue no. 8b, whereas the status of sub-issue no. 8a is generally unchanged relative to our report of 31 October 2021, as the bank has not presented us with further information or solutions to this sub-issue. Consequently, its Gate 2 status is "In progress".

As described in detail in our report of 31 October 2021, the bank has systematically charged customers the actual cost of external assistance in connection with court proceedings, despite the fact that these costs in many cases exceeded the amount awarded to the bank in legal fees and court attendance fees.

The bank concludes that the issue probably extends as far back as to 1987. However, in relation to the compensation of affected customers, the bank finds that it only has data immediately available in the DCS from 2004 onwards.

Based on the above, it is our understanding that the bank will conduct a detailed investigation into whether and how data for the affected customers from before 2004 may be generated, gathered or recovered. According to the bank, this work is still ongoing, and we have not received any additional material on the status or any decisions made in relation to issue 8.

As mentioned in our report of 31 October 2021, the bank informed us that in September 2021 it had sent letters to 60,000 of the 90,000 customers potentially affected by one or more additional issues, including issue no. 8. As described in section 5.2.1 above, the bank has now confirmed that letters have subsequently been sent to the remaining customers, and that all customers who may be affected by issue no. 8 have thus been informed.

9.4.9 Additional issue no. 9 – Legal costs potentially aggregated with the principal

Additional issue no. 9 has passed Gate 1, see section 9.3 above, and as described in the following, the bank has assessed that neither Gate 2 nor Gate 3 is relevant in respect of this issue.

The issue concerns the bank's investigation into whether granted legal costs may have been mistakenly aggregated with the principal in the DCS. The bank has completed its consideration of the issue, as an analysis has shown that the legal costs have been created systemically correctly. As also described in our report of 31 October 2021, the bank's investigations have created a need for further investigation as to whether in bankruptcy proceedings concerning business customers the bank has aggregated other costs with the principal. This issue is discussed in section 9.4.25 below on additional issue no. 25.

On 28 February 2022, the bank confirmed that no findings have been made since the last report that have given rise to further follow-up. Accordingly, we consider our investigation of this issue to be closed.

9.4.10 Additional issue no. 10 – Estate agent fee (Home)

For additional issue no. 10 on estate agent fees (Home), the bank has passed both Gate 1 and Gate 2, as the bank has recently adopted a final approach to compensating customers, and the bank has subsequently informed customers of the conclusion to their case and paid compensation to the customers affected. The bank does not expect a need for data correction or additional measures to be required as a result of this issue, and the bank has therefore "closed" the issue.

In the following sections, the issue is discussed in more detail, the focus being on the work carried out by the bank since our report of 31 October 2021.

9.4.10.1 Nature and scope of the issue

As described in our report of 31 October 2021, additional issue no. 10 concerns the bank's conduct in cases where customers of the bank with the bank's acceptance carried out so-called non-forced property sales in which a loss is accepted, i.e. where the bank accepted property sales in which the bank did not fully recover its secured claim.

The issue concerns the bank's practice in the period from 1 February 2013 to 11 July 2019, during which period the bank did not require a negotiation of Home A/S' ("Home") estate agent fees in connection with non-forced property sales in which a loss was accepted. During the same period, the bank did require the fees of other real estate agents to be negotiated in similar cases if such fees exceeded a maximum acceptable fee fixed by the bank in property sales in which a loss was accepted, known as the "MAF" ("Maximum Acceptable Fee").

As a consequence of the issue, customers who used Home as real estate agent during the period in question were potentially left with a higher outstanding debt after the property sale than if they had chosen another real estate agent. In this connection, the bank has obtained external legal advice, which substantiates that the bank's conduct in the cases in question may have been contrary to good banking practice and that the bank may be liable in damages in cases where the bank failed to require negotiation of a fee for Home.

9.4.10.2 The bank's identification of scope and its information to affected customers

In connection with our report of 31 October 2021, the bank stated that it assessed the number of customers who might be entitled to compensation for additional issue no. 10 to be 1,231 customers. These customers were involved in 915 non-forced property sales in which a loss was accepted. However, the bank made the reservation that the number of customers was provisional and based on a selected sample of cases, and the number is therefore subject to change.

As set out in section 9.4.10.4 below, according to information received, the bank has continued to rely on the number of customers stated above. The bank's subsequent work to remedy additional issue no. 10 thus does not appear to have resulted in the bank finding additional affected customers.

In the autumn of 2021, the bank sent an information letter to all customers (potentially) affected by additional issue no. 10, including guarantors and others, informing them that their cases could potentially be affected by the issue, and also sent a conclusion letter to the customers informing them whether they were entitled to compensation and, if so, details in this regard. See the description below regarding letters providing information on the question of compensation.

9.4.10.3 The bank's measures to stop the issue

As described in section 9.4.10 of our report of 31 October 2021, the bank has taken steps to ensure that the issue will no longer occur in connection with non-forced property sales in which a loss is accepted. The

bank has informed us that it introduced clear guidelines on 11 July 2019, after which the bank has required negotiation of estate agent fees for Home according to the same guidelines as those applying to the fees of other real estate agents.

According to the bank, subsequent to the above measures, it has performed a control of whether the guidelines have been followed in practice. According to information received, the control was performed by reviewing a number of cases of non-forced property sales in which a loss was accepted from the period immediately following the bank's amendment of its guidelines (July to October 2019). In 78 of the 80 cases checked, according to information received, the bank found that Home's estate agent fees were either lower than the bank's maximum acceptable fee, see section 9.4.10.1 above, and/or that the fees had been negotiated. The bank views this as an indication that its guidelines are being followed, and we have been given to understand that in the two remaining cases, compensation has been awarded in the same way as in other cases subject to compensation.

We consider the bank's conclusion in this respect to be well founded. For the sake of good order, it is noted that we have not reviewed specific cases during the course of our investigation.

9.4.10.4 The bank's compensation of affected customers

Generally in relation to the question of compensation, in our report of 31 October 2021 we described how the bank had obtained external legal advice substantiating that the bank may be liable in damages in cases where the bank had failed to require negotiation of fees for Home in connection with non-forced property sales in which a loss was accepted. This led the bank to decide to compensate the affected customers, regardless of whether liability in damages could be established in the individual case.

The bank has subsequently described its chosen compensation approach in a calculation model (model documentation) – which, according to information received, was approved by the Athens Council and the Debt Management Committee on 19 and 29 November 2021, respectively. This model shows, among other things, that the bank's compensation for additional issue no. 10 is based primarily on compensation principles similar to those used previously to compensate customers for root causes 1-4, and which we described in section 7.2 of our report of 31 October 2021. Among other things, this means that the bank also pays compensation in cases where the customer's claims could be time-barred under the law of property.

In this connection, the bank has informed us that since December 2021 it has paid compensation to 713 of the 1,231 customers who in connection with the bank's investigations have been found to be entitled to receive compensation, including compensation in the cases specified below regarding payment to lower-ranking mortgagees.

The remaining 518 customers entitled to compensation according to the bank's calculations comprise bankruptcy/probate cases, in which the procedure for payment of compensation is still pending the bank's dialogue with the Danish Court Administration, see below. In connection with these cases, the bank has calculated the total cost of compensation at approximately DKK 18.3 million plus interest, time and tax compensation, see below.

The bank's approach to the calculation and payment of compensation to the customers identified by the bank as being affected by additional issue no. 10 is discussed in the following.

9.4.10.5 The bank's calculation of the compensation amount

As described in section 9.4.10.1 above, the bank's compensation of customers is based on a possible liability in damages, as customers may have had a higher outstanding debt after a property sale in which a loss was accepted than they would have had if the bank had also required negotiation of Home's fees. Since it is not possible to determine what the exact outcome of a fee negotiation would have been in each case, the calculation of the customer's claim against the bank (the compensation amount) is subject to an estimate.

In this connection, the bank has chosen to pay customers an amount of compensation equal to the amount of the fee paid to Home in excess of the maximum acceptable fee (MAF) less 10%. This is based on a statistical analysis of actual negotiations, according to which the bank assumes that a fee reduction equal to 10% of the maximum acceptable fee could have been achieved if the bank had required fee negotiation.

According to information received, the bank has reviewed 11 cases in which the bank did negotiate Home's estate agent fees, and on this basis the bank found that, following negotiation, the fees ranged between -37% and +15% relative to the bank's MAF. However, on average, the fees were 1.5% below the bank's MAF. With a compensation amount determined as the difference between the estate agent fee paid and "MAF less 10%", the customers would, according to information received, in at least 91% of the cases in question be placed in a position equal to or better than the one they would statistically have been in, had the bank required fee negotiation in connection with the sale.

We note that the statistical uncertainty should be viewed on the basis of the fact that the bank *cannot* make the calculation with complete certainty, and that it *will* therefore be based on an estimate. Accordingly, it is not possible for the bank to determine the exact estate agent fee that individual customers would have had to pay if the bank had required the fee to be negotiated at the time of the sale, and it is not possible with any certainty to identify which specific customers would have obtained a reduced fee. In our opinion, the bank's approach to determining the compensation is based on factual criteria and calculations, which in a majority of cases will be to the customer's benefit.

As stated above, the bank has disregarded the possibility that the fee might have been paid to Home so long ago that a customer's claim for damages may be time-barred under the law of property.

9.4.10.6 Interest compensation

In addition to compensation for the amount by which the fee paid to Home exceeded the bank's MAF less 10%, the bank has also paid compensation for the interest calculated and charged by the collection system on the amount of debt corresponding to the compensation for lack of negotiation of estate agent fee (the "estate agent fee-related debt").

The exact calculation of interest compensation in this respect depends on the course of events after the creation of the case in the collection system. In the PF, for example, interest will only be charged if the customer enters into a payment agreement, which means that in the PF interest compensation cannot exceed the interest paid by the customer. In the DCS, by contrast, interest is charged on an ongoing basis, which means that in the DCS customers will be compensated for interest charged by the bank on the basis of the customer's outstanding estate agent fee-related debt, whether the customer has paid the interest or not.

The amount of a customer's interest compensation may also vary depending on the rate of interest on the account, including whether the bank has charged variable interest or whether the relevant basis of calculation of interest – i.e. the estate agent fee-related debt – has been reduced by the customer's payments.

According to information received, however, the bank has generally ensured that customers have *as a minimum* been compensated for interest actually charged on the part of the customers' outstanding debt in the PF or the DSC attributable to the bank's failure to require negotiation of the fee, in accordance with the general compensation principles. For example, in case of doubt, the bank has calculated the customers' interest compensation on the basis of the full compensation amount and the highest interest rate charged by the bank during the period.

The bank's approach is thus considered to have been to ensure that customers have been compensated for the interest charged as a consequence of the outstanding real estate fee-related debt.

9.4.10.7 Time compensation

Where all or part of the bank's compensation has been paid to customers, the bank has also paid time compensation for the period during which the customers should have had the money at their disposal.

According to information received, the bank has calculated time compensation in accordance with section 5 of the Danish Interest Act, taking into account the half-yearly adjustments at 1 January and 1 July. According to the bank, all claims for compensation resulting from additional issue no. 10 arose after 1 March 2013, at which date the interest rate was changed, and the bank has therefore in all cases calculated time compensation at 8% in accordance with section 5 of the Danish Interest Act.

Time compensation has been calculated from the date at which the sum of the bank's calculated compensation for the customer's estate agent fee-related debt and interest compensation exceeded or equalled the customer's registered outstanding debt until the date at which the bank paid the compensation amount to the customer.

If, after a non-forced property sale in which a loss was accepted, the customer was registered in the DCS with an outstanding debt of DKK 100,000, and the bank has (now) determined that the customer is to receive compensation of DKK 50,000 (including interest compensation), the bank will thus calculate time compensation from the date at which the customer reduced his/her registered outstanding debt to DKK 50,000 or a lower amount.

In some cases, customers paid an estate agent fee that exceeded the bank's MAF less 10% but did not have outstanding debt to the bank after the sale of the property, for example because the property was sold at a higher price than expected. In such cases, the bank has calculated time compensation from the date when ownership of the property changed under the purchase agreement.

Time compensation is only awarded if the compensation amount is paid to the customer, see below regarding set-off against outstanding debt in the individual case.

See also section 6.2 on the bank's general approach to time compensation.

9.4.10.8 Tax compensation

In relation to additional issue no. 10, the bank has obtained external legal advice on the issue of customers tax liability in respect of the compensation provided by the bank. In this connection, the bank's external advisers assessed in a memorandum dated 14 October 2021 that, to the extent that the bank has paid interest and/or time compensation, the customers are to consider such amounts as taxable income. On the other hand, the bank's advisers found that actual compensation for the lack of negotiation is to be considered as non-taxable damages.

On the basis of this external advice, the bank has decided to compensate customers for the tax payable on the compensation amounts in accordance with the external advice. The bank has therefore generally paid customers an additional amount corresponding to 37.8% of the granted interest and/or time compensation to compensate them for the tax claim. The chosen percentage of 37.8% corresponds to the tax rate for persons in Denmark who do not pay top-bracket tax. In letters to the customers, the bank also instructed customers to apply for additional tax compensation if they pay top-bracket tax. In the letters, the bank furthermore informed the customers of their obligation to report the taxable amounts to the Danish tax authorities.

We would note that the bank's conclusion that the compensation amount itself is not liable to taxation is assumed to be based on an assessment that the customers' claim for repayment, which may have arisen as early as 2013, cannot be time-barred under the law of property. We have not independently verified whether this assessment is correct in all cases.

See section 6.3 on the bank's approach to tax on compensation payments.

9.4.10.9 The bank's payment of the compensation amount

As stated above, the bank has provisionally paid compensation to 713 of the 1,231 customers who have been found to be entitled to receive compensation. The remaining compensation payments are awaiting clarification of bankruptcy/probate cases or other payment obstacles. In this connection, the bank's documentation of its calculation model describes how the bank has provided individual customers with the calculated compensation.

In this connection, the bank has:

1. offset the calculated compensation amount against the customers' enforceable outstanding debt, if any, and/or against debt previously "struck" by the bank, when the outstanding debt arises from the property sale at issue in which a loss was accepted.

2. If a customer did not have such outstanding debt to either Danske Bank or Realkredit Danmark, or if the total compensation amount exceeded the customer's outstanding debt, the bank has contacted any lower-ranking mortgagees whose charge was not satisfied in full in connection with the property sale in which a loss was accepted to determine whether they have a resulting outstanding claim against the customer. If so, the bank has paid, or will pay, the compensation amount to such lower-ranking mortgagee. According to information received, there are eight such cases (a total of 11 customers).

3. In cases where customers have not had (sufficient) outstanding debt to either the bank or former lower-ranking mortgagees, the bank has paid the remaining compensation amount to the customers with the addition of time compensation and tax compensation.

The above points are discussed in more detail below.

9.4.10.10 Set-off against outstanding debt to Danske Bank or Realkredit Danmark

The bank has obtained advice from external sources on the issue of set-off. In this respect, the bank's external advisers assessed that the conditions for connected as well as non-connected set-off against any outstanding debt resulting from non-forced property sales in which a loss was accepted are met in relation to the bank's payment of compensation for additional issue no. 10, and that the bank was therefore entitled to offset the calculated compensation against the customers' unsettled outstanding debt, if any.

The bank's external advisers further assessed that the bank is entitled to perform a connected set-off against debt previously "struck" by the bank, including due to time-barring, debt cancellation agreements or judicial decision in connection with reconstruction and debt relief. In this respect, the bank's advisers assessed that the customer's claim for compensation and the bank's counterclaim (the outstanding debt) are connected when the outstanding debt is owed to Realkredit Danmark, not including cases with so-called 20% guarantees. The principal difference between connected and non-connected set-off in this context is that connected set-off may generally be made regardless of whether time-barring applies and regardless of whether the bank's claim has been written off following the property sale in which a loss was accepted.

However, with regard to the bank's right to set-off against a customer's debt that has been struck as a result of judicial decisions (reconstruction and debt relief), the bank's advisers have stated that the assessment is subject to considerable uncertainty as a result of very limited and unclear case law. As regards debt that has been struck in accordance with an agreement between the bank and the customer on cancellation of the customer's debt, the advisers have assessed that a prerequisite for the bank's right to set off is that, when concluding the agreement, the bank reserved the right to such subsequent set-off; and that the bank did not issue a receipt in settlement of its claim.

On the basis of this legal advice, the bank has therefore chosen to set off the calculated compensation against any outstanding debt arising from property sales in which a loss was accepted. Also, on the basis of the external advice, the bank has applied connected set-off against debt previously struck due to time-barring or in accordance with debt cancellation agreements under which the bank did not issue receipts in settlement. Considering the uncertainty described above in the external advisers' assessment, the bank has chosen not to set off against debt struck in accordance with debt cancellation agreements under which

the bank did issue receipts in settlement or against debt struck as a result of composition with creditors in connection with reconstruction or debt relief.

According to information received, the bank's above-mentioned set-offs were carried out by booking a "deposit" corresponding to the calculated compensation amount in the customer's registered debt account. It is our understanding that the bank has thus reduced the customer's registered outstanding debt in debt collection systems to the amount of outstanding debt that the customer *would* have had if the error under additional issue no. 10 had not occurred, i.e. if the bank had originally required negotiation of the customer's estate agent fee.

9.4.10.11 Risk of set-off of non-enforceable outstanding debt

When compensation is used as a set-off against debt in the bank's debt collection systems, there is a risk that the compensation amount may be used to cover non-enforceable outstanding debt. The registered outstanding debt may thus still be affected by root causes 1-4 as well as by the other additional issues. Where the bank's set-off cannot be considered to be connected[6], see above, the bank will not be entitled to set-off against outstanding debt in case the registered debt (the bank's receivable) is time-barred. Moreover, the bank will not in any event be entitled to set-off against a customer's debt (the bank's receivable) that is not enforceable (for example additional issue no. 8 on wrongfully charged legal costs and additional issue no. 6 on wrongfully charged interest).

According to the bank's documentation of its calculation model, the bank is aware of the risk that the customer's registered outstanding debt may be affected by other additional issues. In this connection, the bank states that this is not considered to constitute an obstacle to compensating customers for additional issue no. 10 by set-off against the currently registered outstanding debt, as all corrections to balances will be reported and registered centrally in Programme Athens and thus reflected in any subsequent correction or payout from the programme. The bank also states that future projects will pay out compensation directly to the customer *if* the bank has used set-off against the debt in connection with additional issue no. 10.

In its model documentation, the bank states that the only alternative to the chosen approach would be to await all other issues, but this would result in delayed payment of compensation to customers, which, in the bank's opinion, would be at odds with the Danish FSA's order implying that customers should receive

[6]The principal difference between connected and non-connected set-off is that connected set-off may generally be made regardless of whether time-barring has occurred and regardless of whether the bank's claim has been written off. Connected set-off requires that claims and counterclaims arise out of the same legal issue, whereas this is not the case for non-connected set-off.

compensation as soon as possible. We note that the bank does not appear to have considered the possibility of simply paying out the full compensation amount to the customer without set-off.

As regards the four root causes, we described in section 7.7 of our report of 31 October 2021 how, in connection with the previous compensation of customers affected by the root causes in the DCS and the PF, the bank had assumed that (part of) this compensation could be processed by reallocating amounts used to cover time-barred debt and setting these off against the customers' outstanding debt in the debt collection systems. However, as the calculation of compensation was made in data models alongside the bank's debt collection systems, such assumed reallocation or set-off would not be shown in the systems until a subsequent rectification of data (so-called "write-back"). Accordingly, in cases where the bank's set-off cannot be considered to be connected, we perceive a risk that the bank may set off the compensation amount for additional issue no. 10 against debt which is already considered to have been settled by means of the reallocation or set-off against existing amounts in the account provided for in compensation models for the root causes.

At our request, the bank explained what it has done in connection with the granting of compensation for additional issue no. 10 to allow for the fact that part of the customers' outstanding debt may already be considered to have been set-off/written down in connection with compensation for the four root causes and this may not yet be reflected in the debt registered in the bank's debt collection systems. At a meeting on 9 May 2022, the bank stated that an overall and indicative assessment has been made of the risk that the bank might, in connection with compensation for additional issue no. 10, end up setting off an amount exceeding the customer's actual outstanding debt after the bank's previous calculation of compensation for the four root causes.

We understand that the bank has delimited the risk to 24 cases in the DCS and the PF, respectively. In this connection, the bank stated that such delimitation of high-risk cases was based on an initial screening, which eliminated cases where the bank had found that the risk of setting off an amount exceeding the customer's actual outstanding debt could be excluded. The bank also stated that, in the initial screening process, it took into account any set-off/write-down of the customers' outstanding debt that the bank had previously registered in the debt collection systems in connection with the bank's payment of compensation for other additional issues, see section 9.4.16 below on additional sub-issue 16a. In this connection, the bank informed us that it will get back to us with a more detailed and written account of the initial screening. We have not yet received that account, however.

According to preliminary information received from the bank, the bank has initially set off the compensation amount for additional issue no. 10 by writing down the outstanding debt of the 24 customers mentioned above in the PF and the DCS. Using the "statistical model", see section 7.3.2 of our report of 31 October 2021, the bank has subsequently verified whether customers might be entitled to payment of

compensation, as the statistical model implies, as described in our report of 31 October 2021, a conservative estimate of the risk that payments may have been set off against debt which might be time-barred as a result of root causes 1 and 2.

Against this background, the bank has assessed that there is no significant risk that, in connection with its compensation for additional issue no. 10, the bank may accidentally set off more than the customer's actual outstanding debt, taking into account the bank's compensation for the four root causes. If this were to happen nonetheless, the bank has stated that this will be addressed in connection with a future check of the specific cases in which the bank provides compensation for additional issue no. 10. This is likely to happen when the balances are adjusted in the bank's systems for the four root causes.

However, as we have not yet received a satisfactory description of the bank's approach to the issue of set-off, and as we are not yet fully satisfied that the risk of set-off against non-existing debt is insignificant, we cannot at this stage assess whether customers who have been fully or partially compensated by way of the bank's set-off against their registered outstanding debt have received full compensation in connection with additional issue no. 10.

We also note that the bank's set-off against outstanding debt registered in the debt collection systems is generally subject to risk, considering the many issues that have yet to be resolved and the fact that data have not yet been rectified following the compensation for the four root causes. In that connection, the bank has informed us that it is working on a model to provide an overview of how the respective other additional issues may affect each individual customer's account, so as to enable the bank to assess the possibility or risks of using set-off in connection with paying compensation, see section 7.2 above. However, according to information received, the bank has not yet implemented such a model to mitigate this risk, which makes it difficult to assess the question of compensation in relation to additional issues in which the bank performs set-off in connection with the calculation or payment of compensation.

9.4.10.12 Payment to lower-ranking mortgagees

In eight cases (a total of 11 customers), the bank has decided to pay out the calculated compensation to former lower-ranking mortgagees whose charges were not satisfied in full in connection with property sales in which a loss was accepted, if the mortgagees in question still had an enforceable claim against the customer as a result of the non-forced property sale, which claim has consequently been reduced. According to the bank, the 11 customers were entitled to total compensation of approximately DKK 120,000, representing a relatively small part of the total expense of around DKK 18.3 million in compensation to customers affected by this issue.

Assisted by external legal advisers in the handling of this issue, the bank has explained to us the legal considerations behind the bank's decision to pay out the compensation to the former lower-ranking mortgagees. The bank assessed that the compensation amount ("the claim for damages") is substituted for the additional proceeds that might have arisen in connection with a property sale in which a loss was accepted if the bank had required a negotiation of the estate agent fee. The bank thus assessed that the lower-ranking mortgagees have assumed the customers' claims for compensation against the bank.

In this assessment, the bank relied, among other things, on the fact that the bank's failure to negotiate the fee must have led the lower-ranking mortgagees to believe that no additional proceeds remained for distribution to lower-ranking mortgagees. Had the lower-ranking mortgagees been aware that there were (or should have been) such additional proceeds for distribution, they would presumptively have demanded that the amount be paid to them as a prerequisite for discharging their charge.

We find the question of whether the compensation amount should be paid directly to the customer or to a former lower-ranking mortgagee difficult to answer with any certainty. In our opinion, the bank's consideration of the question is based on factual information, and the bank has sought, with the assistance of external advisers, to reach the right decision from a legal perspective. Danske Bank is also deemed to have considered personal data protection law implications in relation to its contact with the former lower-ranking mortgagees. We have not reviewed each individual case in which the issue of payment to lower-ranking mortgagees has been relevant, and we cannot with certainty rule out that there may be customers who can justifiably claim that the compensation amount should have been paid to them rather than to the lower-ranking mortgagee. However, based on information received from the bank explaining its considerations and in view of the fact that, through its communication with customers and contact with lower-ranking mortgagees, the bank has been transparent about the solution chosen, to the effect that customers have had the opportunity to submit any objections, we have no comments on the solution chosen by the bank.

9.4.10.13 Payment to customers

To the extent that the bank did not use the compensation amount as a set-off or payment to a lower-ranking mortgagee, the bank paid the (remaining) compensation to the customers. Where this was the case, customers also received time and tax compensation as described above.

We understand that the compensation amounts calculated for populations of affected customers were paid in two stages, on 16 December 2021 and 3 February 2022, respectively. However, in cases where the compensation amount may be payable to former mortgagees, the payment was processed subsequently.

On the basis of information received from the bank at subsequent meetings, most recently on 9 March 2022, we understand, as previously described, that 713 of the total of 1,213 customers entitled to compensation had received their compensation at the time.

The outstanding 518 customers are involved in bankruptcy/probate cases, the processing of which is still pending the bank's dialogue with the Danish Court Administration. The cases of these 518 customers have instead been included in the bank's consideration of additional issue no. 1. The bank has calculated the compensation amount for these 518 customers at a total of DKK 1.3 million plus interest, time and tax compensation.

9.4.10.14 Conclusion letters to customers

As regards *conclusion letters on compensation*, according to information received, the bank sent some 660 letters to customers, guarantors and customers' lawyers, etc. informing them that, having examined the cases in question, the bank has determined that they are not entitled to compensation.

We understand that in connection with the payment of compensation, the bank sent 713 conclusion letters to the customers entitled to compensation, and that conclusion letters will be sent to the remaining 518 customers involved in bankruptcy proceedings when the processing of these cases has been arranged with the Danish Court Administration.

The conclusion letters detail the individual component parts of the total compensation amount, including interest, time and tax compensation, and provide guidance on how the customer is to report the taxable portions of the total compensation amount to the Danish tax authorities.

According to information received, the conclusion letters sent to customers who have received compensation by way of partial or full set-off against their outstanding debt to the bank also contained an offsetting statement. In this connection, the bank stated which account it set off the compensation against, what amount was set off and the customer's outstanding debt after the set-off.

We note that, when informing customers of their outstanding debt after set-off, the bank apparently did not in these letters qualify the calculation of the amount for the possibility that the outstanding debt could still be incorrect after the bank's set-off in relation to additional issue no. 10 due to the four root causes and/or other additional issues. In our opinion, the bank's conclusion letters should have included information to that effect, among other things because the bank's customers may have understood the bank's information about the outstanding debt to mean that the errors have now been finally corrected.

We discussed this matter with the bank at a meeting on 9 May 2022. In that connection, the bank informed us that all customers who received information about their outstanding debt after the bank's set-off have subsequently received one or more additional letters from the bank stating that their registered debt could potentially be incorrect. According to the bank, the customers were thus (indirectly) informed that the stated amount of outstanding debt after the bank's set-off in relation to additional issue no. 10 may still be incorrect, even though the bank's letter on compensation did not provide information to that effect.

9.4.11 Additional issue no. 11 – Reporting to the Danish tax authorities

Additional issue no. 11 concerns the bank's incorrect reporting to the Danish tax authorities of information regarding the debt of individual customers.

Overall, the status of the bank's work on this issue has not changed since our report of 31 October 2021, and the bank has not presented us with any further information on or solutions to this issue. Therefore, this report contains no new conclusions in relation to issue no. 11, which has not yet passed Gate 1, see section 9.3 above.

However, the following sections contain certain observations and follow-up on what was stated in our report of 31 October 2021.

9.4.11.1 Nature and scope of the issue

As described in our report of 31 October 2021, additional issue no. 11 concerns incorrect reporting to the Danish tax authorities due to errors in the bank's data basis as a result of the four root causes as well as the additional issues. As data in the bank's systems on customers' debt to the bank are in some cases flawed, the bank's reporting to the Danish tax authorities will be affected, and the reported outstanding debt and accrued interest may consequently be incorrect. Accordingly, the customers' tax assessment notice from the tax authorities and the so-called "tax folder" may contain incorrect information from the bank.

The consequence for customers is firstly that the amount of outstanding debt pre-printed on the customer's tax assessment notice from the Danish tax authorities may be too large, which may in some cases affect the customer's relations with third parties, for example in relation to the customer's ability to document to financial institutions other than the bank whether the customer has outstanding debt to the bank and, if so, how much. Secondly, the errors in the bank's data basis could mean that customers may have been given a larger amount of interest deductions on their tax assessment notice than they were entitled to.

9.4.11.2 The bank's identification of scope and its information to affected customers

The many errors and issues in the bank's collection systems imply a general risk that the bank's reporting to the Danish tax authorities may be incorrect. As mentioned above, this may affect the customer's tax assessment notice to the detriment of the customer, including if the customer needs to document to a third party the size of the debt or that it has been repaid in full.

In connection with the ordinary reporting to the Danish tax authorities to be filed each year in January for purposes of the annual tax assessment notice, the issue will affect customers who still *are* – or during the income year in question *have been* – registered as having outstanding debt to the bank, and for whom the bank must therefore report their debt to the Danish tax authorities.

As described in our report of 31 October 2021, in January 2021 the bank sent letters to the potentially affected customers stating that the customers' tax assessment notice from the Danish tax authorities and the annual update from the bank received by the customers in January 2021 might be affected by the flawed data in the bank's debt collection systems. The letter also stated that the customers did not have to do anything and would be contacted again once the bank had reviewed the case, and that the bank expected to have a solution to the issue by July 2021.

However, as stated in the report of 31 October 2021, in the summer of 2021 the bank had to inform the customers that additional issues had been identified that could affect their "debt picture" in the bank's debt collection systems. Consequently, it was not possible for the bank, as originally assumed, to notify customers of a final resolution of their debt case in the summer of 2021.

On 2 May 2022, we received a number of letter templates from the bank stating, among other things, that in 2022, the bank also informed customers of the risk of errors in their tax assessment notice and annual update for 2021. In connection with the reporting to the Danish tax authorities in January 2022, the bank is seen to have advised potentially affected customers that, as a result of the flawed data in the bank's debt collection systems, errors may still be found in the tax assessment notices and annual updates sent to customers for the 2021 income year.

In that connection, this year, the bank is seen to have informed customers in more detail about how the flawed data may have affected their tax assessment notice, as the specific information on this depends on the customer type (for example, letters to bankruptcy estates and estates of deceased persons are seen to have been adapted to this customer segment). In letters to personal customers and guarantors, the bank informed the customers, for example, of the risk that:

- The customer's debt for collection has not been updated correctly
- The customer may be registered as a debtor with respect to debt for which the customer is only a guarantor
- Debt previously subject to collection which has since been repaid or is time-barred may still be shown

The letters to the bank's customers state that, unfortunately, the bank may possibly not be able to provide the customer with final clarification of the debt for collection until 2023 and that the customer will be contacted again as soon as new information is available.

Based on information provided by the bank to the Danish FSA on 19 April 2022, we understand that – in accordance with the bank's process of communication on tax matters – the above-mentioned letters were prepared in dialogue with the Danish tax authorities and sent to approximately 100,000 customers. We also note that the letter of 19 April 2022 had not yet been sent to business customers, bankruptcy estates and estates of deceased persons in the PF, but that the bank would endeavour to send these by the end of April. We have not received any information as to whether the letters have been sent.

9.4.11.3 The bank's measures to stop the issue

In our report of 31 October 2021, we noted that, as long as data on the outstanding debt of customers in the bank's systems are flawed, the bank will either report incorrectly to the Danish tax authorities or must refrain from fulling its reporting duty altogether. We do not find that the issue can be fully mitigated until after such time as data in the bank's debt collection systems have been corrected (write-back, see section 3.3.2) and new cases are created correctly.

As stated in the report of 31 October 2021, the Danish tax authorities have informed the bank that it must report corrections on an ongoing basis as customer cases are reviewed and corrected. We have not received any further information about this from the bank, but we note that, in a response dated 19 April 2022, the bank informed the Danish FSA that the bank had begun correcting its reporting in relation to 1,241 customers who have settled their debt since 2019. The bank forwarded this response to us on 2 May 2022, and in our further investigations, we will follow up on the bank's progress and approach to this.

In section 7.7 of our report of 31 October 2021, we also noted in this respect that a portion of customers who have received compensation from the bank for the four root causes are still registered with an outstanding debt on the account to which the compensation relates. In this connection, as described in section 9.4.11.2 above, the bank is also seen to have informed customers of the risk that debt previously subject to collection, which has since been repaid or is time-barred, may still appear from tax assessment notices and annual updates.

As stated in our report of 31 October 2021, it is our opinion that the bank should seek to remedy this situation with incorrect reporting to the Danish tax authorities as soon as possible in cases in which the compensation models have shown that the customers in question do not have any remaining debt to the bank in the cases in question.

However, in February 2022, the bank stated that it had not yet established a process to deal with customers whose cases are to be "closed" after receiving cash compensation for overcollection, and that no decision had yet been made in relation to the tax reporting. At our request, the bank subsequently confirmed that its reporting to the Danish tax authorities in January 2022 was based on the customers' registered outstanding debt, regardless of whether the customers had received compensation payments for one of the four root causes. The reporting to the Danish tax authorities was thus based on the outstanding debt registered in the system at 31 December 2021, although the bank notes that the Danish tax authorities have been informed of the bank's data challenges.

In continuation of this, the bank has informed us that it has created an additional issue no. 38, which is aimed, among other things, at analysing the issue of the lack of a process to ensure that accounts subject to overcollection and overpayment are closed after the payment of cash compensation.

In this connection, we note that, in a response to the Danish FSA in April 2022, the bank stated that approximately 940 customers no longer have outstanding debt to the bank after receiving compensation for the four root causes, and that the cases involving these customers have therefore been closed. However, the bank did not state when the cases were closed and what "closure" of the cases means in this context.

In April 2022, the bank also gave a written account to the Danish FSA of the question regarding the closure of cases and reporting to the Danish tax authorities regarding the approximately 7,800 customers who were found to be entitled to receive compensation for the four root causes. In this connection, the bank stated that compensation has been paid to some 5,300 customers, of which some 4,300 customers have already repaid their debt and are therefore not registered with continuing outstanding debt in the debt collection system. However, there remain some 1,000 customers whose outstanding debt is to be corrected to zero in the debt collection systems and in relation to the Danish tax authorities, as they no longer have any outstanding debt to the bank.

The remaining 2,500 customers comprise customers who have not yet received compensation due to bankruptcy/probate cases or other payment barriers. Of these, the bank states that the outstanding debt of

some 360 customers is to be corrected to zero in the debt collection system and in relation to the Danish tax authorities.

We understand from this that the bank has yet to correct a total some 1,360 customers' outstanding debt to zero after the bank's calculation and/or payment of compensation. For these customers, the bank's reporting to the Danish tax authorities in January 2022 was thus based on outstanding debt that should rightfully have been settled, because the bank's compensation models for the four root causes showed that the customers no longer have outstanding debt. In our opinion, this incorrect reporting should have been avoided, and the bank should report a correction as soon as possible reflecting the fact that the bank no longer believes that it has any claims against the customer in the case in question. We expect to follow up on this as part of our ongoing investigation of the bank's work to remediate the issues.

9.4.12 Additional issue no. 12 – GDPR

Additional issue no. 12 has passed Gate 1, as an initial analysis has been prepared, among other measures. Furthermore, the bank does not consider Gates 2 and 3 to be relevant.

As described in our report of 31 October 2021, the bank found that the errors in the bank's debt collection have led to a breach of article 5(1)(d) of the General Data Protection Regulation due to the processing of flawed personal data (account balance information about customers' debt).

Generally, we consider GDPR issues to be outside the scope of this report, and we have therefore not generally considered GDPR issues and only consider the bank's processing of personal data where this may have a direct financial impact on the customers. In this connection, reference is made to, for example, section 9.4.11 above about the bank's disclosure of incorrect information to the Danish tax authorities.

We also note that the Danish Data Protection Agency on 5 April 2022 informed us that it has filed a criminal complaint against the bank for violation of the GDPR with the recommendation to the prosecution that the bank be fined DKK 10 million. The Data Protection Agency's recommendation is motivated by the fact that the bank has not been able to document that it has laid down rules for the deletion and storage of personal data in more than 400 systems, or that personal data have been deleted manually. We have not carried out any independent investigation into whether this issue also includes the central systems used in connection with the bank's debt collection, which are consequently described in further detail in this report.

9.4.13 Additional issue no. 13 – Cases outsourced to debt collection agencies

Additional issue no. 13 concerns errors in connection with the bank's use of external debt collection agencies.

At the time of our report of 31 October 2021, the bank had identified the issue and prepared an initial analysis thereof (Gate 1, see section 9.3). Since the status at the time of this report is generally unchanged and we have not yet been presented with a model for calculation or payment of compensation to customers, this report does not provide any new conclusions in relation to additional issue no. 13. As we understand it, however, the bank has adopted an approach to the issue of compensation and has thus proceeded to Gate 2 (see section 9.4.13.4).

However, the following sections contain certain observations and follow-up on what was stated in our report of 31 October 2021. We noted, among other things, that the bank has adjusted its estimates of the number of affected customers and that the bank has added another cause of the issue, see below.

9.4.13.1 Nature and scope of the issue

As described in our report of 31 October 2021, additional issue no. 13 concerns cases where the bank has outsourced its debt collection to external debt collection agencies. For these cases, the bank has identified a number of errors in the exchange of data between the bank and the debt collection agencies.

At the time of preparation of our report of 31 October 2021, the bank had completed the initial analysis of the issue (Fact Pack). The bank's analysis found that the error could have led to overcollection, as the bank's customers may potentially have paid more than the actual enforceable debt. Moreover, the bank may have reported incorrect data to the Danish tax authorities and may have prepared incorrect credit assessments.

In our report of 31 October 2021, we stated that, according to information received, the bank had identified 12 primary causes of the discrepancies in customer data between the debt collection agencies and the bank. The report included examples of these causes.

According to the bank's meeting material from the Athens Council meeting on 22 February 2022, one additional cause of the discrepancies in relation to additional issue no. 13 had been identified. At our request, the bank has informed us that the additional cause was identified in connection with a review of cases, and that it concerns problems with the aggregation of different types of balances (e.g. principal and interest). Accordingly, the error type is similar to root cause 1.

In our report of 31 October 2021, we also noted that, in connection with its examination of cases processed by the collection agency Collectia, the bank had found flawed data in cases from the period prior to that company's merger with Aktiv Kapital. As a result, cases closed by Aktiv Kapital could still be registered as "active" in the DCS. We noted in the report that the bank informed us that the error had been reported in an ORIS report, and that the bank would, to our understanding, extend its analyses to include this error, either by establishing a sub-issue to the analysis already prepared for additional issue no. 13 or in the form of a new additional issue.

In continuation of the above, we note that the bank subsequently chose to establish a new additional issue no. 30 in respect of the issue described above. This matter will therefore not be addressed further in relation to additional issue no. 13, but will be dealt with separately under additional issue no. 30.

Finally, in section 7.3.1 of our report of 31 October 2021, we identified an assumption in the DCS model that may in some cases have led to an incorrect result in the calculation of compensation for root causes 1 and 2. As a result of this assumption, all payments received through the debt collection agencies were considered to give rise to a suspension of the limitation period. In February 2022, the bank informed us that the issue regarding this assumption in the DCS model is now being considered as part of additional issue no. 13. We will therefore revert to this when the bank has completed its analyses and prepared a model for calculating compensation.

9.4.13.2 The bank's identification of scope and its information to affected customers

For purposes of our report of 31 October 2021, the bank informed us that additional issue no. 13 affected up to about 79,000 customers in the DCS and PF systems. However, the bank believed that the approximately 10,000 customers in the PF were not at risk of overcollection.

The bank did, however, note in relation to the above, that the figures were estimates and provisional, and that it could not be ruled out that the bank would identify additional cases that might be included in additional issue no. 13.

It appears from the meeting material from the bank's Athens Council meeting on 22 February 2022 that a detailed analysis was made of the data found to be relevant to additional issue no. 13, and that this led to a change in the number of customers affected by the issue.

The meeting material from the above-mentioned Athens Council meeting thus shows that the number of potentially affected customers has grown from the approximately 69,000 customers stated in our report of 31 October 2021 to approximately 85,500 customers. However, it also shows that, in the bank's opinion, the number of customers who may be entitled to compensation can be reduced if so-called "irrelevant

cases" are excluded. According to the meeting material, these cases comprise some 2,300 customers who are deemed to have been mistakenly flagged as external debt collection cases, some 12,200 customers who have paid neither the bank nor the debt collection agency and some 50 cases in which the debt collection agency has only assisted the customer in the sale of a vehicle in which the bank had a security right. The bank thus believes that approximately 70,450 customers are actually affected by additional issue no. 13 in such a way that they may have been subject to overcollection and may therefore be entitled to compensation.

9.4.13.3 The bank's measures to stop the issue

As stated in our report of 31 October 2021, the bank has implemented a number of preventive measures in order to mitigate the risk of additional errors arising as a result of additional issue no. 13. The bank has sent no new cases to debt collection agencies since October 2019, and already from September 2020, the bank implemented the Pause logic with respect to the debt collection agencies, suspending all debt collection regardless of how much of their debt the customers had repaid at that point. This is considered to correspond to the measure implemented in December 2021 with regard to the debt collection cases in general, see section 4.2 on the revised Pause logic.

9.4.13.4 The bank's preliminary analyses regarding compensation

At the time of preparation of our report of 31 October 2021, the bank had not yet made a decision with regard to choosing a specific compensation model. It is our understanding that the bank has now decided on an approach to the issue of compensation, but we have not yet been given a detailed description of it.

According to information received, the bank expects to commence the payment of compensation to customers regarding additional issue no. 13 in August 2022. The bank has informed us that it will prepare comprehensive model documentation describing the approach. We are unable to comment further on this matter in this report and expect to revert to it when the bank has documented its approach to the calculation.

9.4.14 Additional issue no. 14 – Nordania – interest on fees and overcollection of reminder fees

9.4.14.1 Nature and scope of the issue

Additional issue no. 14 concerns the practice of Nordania[7] of charging reminder fees and interest on such fees. Firstly, the bank has found that its Nordania subsidiary has charged more reminder fees per amount in arrears than what is permitted under the Danish Interest Act and the agreement made with the customer. Under section 9b(2) of the Danish Interest Act, a maximum of three reminder fees may be charged for the same payment. Secondly, the bank has found that it has also, through Nordania, wrongly added interest on reminder fees charged to customers.

As can be seen from our report of 31 October 2021, the issue exists at both the Danish and the Norwegian branches of the bank. However, as agreed with the Danish FSA, this report considers the issue only for customers in Denmark.

Since our report of 31 October 2021, according to information received, the bank has to a large extent paid compensation to or made set-off against outstanding debt for the affected customers, and the issue has therefore advanced far beyond the point described in section 9.3 above as Gate 2. However, payment of compensation to a group of customers remains outstanding (see below).

As mentioned in our report of 31 October 2021, the bank is addressing additional issue no. 14 in a separate project called the EOS project. In addition to the issues mentioned above, the EOS project addresses five additional issues relating to collection from or non-repayment to customers of Nordania. The bank has assessed that these additional issues concerning Nordania's collection are not covered by the order of the Danish FSA to carry out an independent investigation, and we therefore have not attempted to gain deeper insight into the bank's work on these issues.

9.4.14.2 Preventive measures

As described in our report of 31 October 2021, according to information received, the bank stopped charging reminder fees in Nordania's Leasing Core system on 10 September 2020. According to information received, the bank has also set the interest rate at zero in the system, which means that the bank no

[7] Nordania – Asset Finance is a business unit of the Danske Bank Group operating partly under the names Nordania Finans A/S (Danske Leasing A/S) and partly under the name Nordania Leasing, a division of Danske Bank A/S.

longer charges interest that it considers to be in breach of the rules. As mentioned above, the bank implemented these measures on 10 September 2020, and according to information received, the measures remain in force.

As mentioned in our report of 31 October 2021, the bank's Pause logic, described in more detail in section 4.2, has been implemented only for the bank's collection systems, the DCS and the PF. Consequently, the bank has not generally stopped collection for Nordania customers and, according to information received, the bank has not asked these customers to stop their payments or the like. Consequently, it cannot be ruled out that customers affected have paid debt to Nordania that they did not owe, even after the bank's implementation of preventive measures.

In continuation of the above, we note, however, that, according to information received, following our report of 31 October 2021, the bank has stopped sending affected customers' debt for collection by external debt collection agencies, and according to information received, the bank has adjusted customers' claims before collection through the court for customers affected by additional issue no. 14.

Moreover – with the exception of customers who are or have been subject to bankruptcy/probate court cases – the bank has informed affected customers that it has wrongfully charged one or more reminder fees and that in a few cases, the bank has wrongfully charged interest on reminder fees. Customers affected have thus to a certain extent been aware that repayment in full of their debt to the bank could entail a risk of overpayment. The customers have not, however, been informed that the bank would not charge interest on outstanding payments.

We have not seen an actual analysis of whether the risk of overcollection has in all cases been insignificant, including how the bank has handled this in relation to customers who have nearly repaid their debt in full. With the above approach, the bank has probably emphasised that any overcollection has involved relatively small amounts, but on the basis of available information, we cannot with certainty conclude that the risk of overcollection was insignificant in all cases. The bank has stated, however, that it considers the measures implemented to be adequate.

9.4.14.3 Affected customers

In our report of 31 October 2021, we stated that approximately 11,300 customers in Nordania's Leasing Core system were affected by additional issue no. 14. The bank has subsequently found that the data was incomplete as a result of changes made to the bank's reminder system in 2007, and when applying updated data, the bank has identified a further approximately 2,000 customers who are affected by the issue.

At 2 May 2022, the bank had thus identified 13,411 customers, who together have received or will receive compensation totalling approximately DKK 18.6 million as a result of additional issue no. 14. Of these, the bank identified 10,393 customers in respect of whom the bank has charged too many reminder fees and 6,270 customers in respect of whom the bank has wrongfully charged interest on the reminder fees. Some customers are affected by both sub-issues.

The bank has identified the customers affected by applying the calculation model described below in section 9.4.14.5 to the transaction history of all customers registered in Nordania's Leasing Core system.

In this connection, it should be noted that the bank's quality control has found that the identification of customers is based on data that is generally incomplete for the period before 2007, when the bank changed the part of the IT system that handles reminder fees.

In this connection, the bank has decided to accept that the model cannot identify all relevant data concerning reminder fees charged before 2007. The calculation model can thus identify only some of the reminder fees charged prior to 2007. In this connection, the bank notes that this data challenge is associated with high complexity and that it is likely impossible to find a better solution even if an attempt is made to adjust the model.

The bank has also stated that, with the current calculation model, it is not possible to calculate compensation for customers who paid interest on fees in the period before 2007. In this connection, the bank notes that customer claims for compensation for this period are time-barred under the law of property.

Finally, the bank has stated that it is not possible to identify customers or pay out compensation to customers whose data has been deleted after the termination of their business relations with the bank, including as a result of data protection rules.

In conclusion, we note that the bank's calculation model for additional issue no. 14 is not in fact suitable for calculating compensation for customers subject to collection of interest on reminder fees before 2007. In this connection, we agree with the bank that any claims made by customers for repayment of amounts collected in this period will generally be time-barred if the customer paid the amount overcollected in connection with the bank's debt collection. If the customer still has not paid the amount that the bank has asked for or if the customer has only recently been overcollected, the customer's claim for repayment will obviously not be time-barred. We also note that the bank generally applies the principle of paying compensation without taking into account the time-barring of claims for repayment under applicable property law (see also section 6.1 above).

9.4.14.4 Information to customers

As described in our report of 31 October 2021, the bank had already at that time to a large extent informed the customers affected that the bank had wrongfully charged one or more reminder fees, and that, in a few cases, the bank had wrongfully charged interest on reminder fees. In these letters, the bank also informed the customers that no action was required on their part and that the bank would come back to them regarding compensation at a later stage. Finally, a link was inserted in the letters to the page on Nordania's website on which the customers can track the overall status of the case.

We thus note that the customers having received the letter were informed of the issue in accordance with the Danish FSA's order no. 4 of 21 September 2020.

However, the bank has stated that the bank has sent letters to only 10,661 of the 13,441 customers affected. There are thus 2,780 affected customers who have not received the letter. However, some of these customers have been informed in connection with payment of compensation as the bank has stated that it has sent letters regarding payment of compensation or set-off against outstanding debt to 11,822 of the 13,441 customers affected.

On the basis of the information above, it can be concluded that a group of the customers affected probably has not yet received a letter from the bank describing the issue. In this connection, the bank has stated that this group consists of customer types defined as "special cases". According to the bank, this group includes bankruptcy estates and estates of deceased persons as well as cases relating to customers who have previously had their debt cancelled.

The bank has stated that these case types will be transferred to a separate analysis team at the bank at a later time, and that this team will subsequently be in charge of information to and compensation of the customers in question.

As stated above, we thus find that a group of customers affected has not yet received information describing the issue.

9.4.14.5 Calculation of compensation

The following section discusses the model used by the bank for calculating compensation in relation to additional issue no. 14. In this connection, we had the opportunity to read the bank's draft documentation, which contains information about the basis of calculation, the method and assumptions. We subsequently asked the bank a few follow-up questions, which were answered in writing or orally in connection with a number of meetings held with the bank.

We note that we received the latest version of the bank's documentation for the calculation model on 11 May 2022 and that this version is also marked as a draft. Thus, we assume that changes may still be made to the documentation. In addition, there are a few points into which we so far have only general insight, see below. Our conclusions below must therefore be viewed subject to these considerations regarding the documentation received.

The calculation model is generally divided into three steps, which together calculate the total compensation the customer is to receive:

1. Calculation of compensation due to the charging of too many reminder fees

2. Calculation of compensation for wrongful charging of interest on reminder fees

3. Calculation of time compensation (i.e. compensation for the time the customer should have had the amount at their disposal)

9.4.14.5.1 Step 1 – Calculation of compensation due to the charging of too many reminder fees

According to information received, the bank has access to data that enables the bank to identify all reminder fees invoiced to a customer. In this connection, the bank can also determine when the reminder fees in question were invoiced. However, as described above in 9.4.14.3, this applies only to reminder fees invoiced *after* 2007. The bank has thus not with the same degree of certainty been able to identify all reminder fees from before 2007.

On the basis of the data available, the bank can thus, via its calculation model, determine the number of reminder fees invoiced to each customer during each period in arrears, and if the number of reminder fees per period in arrears exceeds three, the bank considers the customer to be entitled to compensation as the customer has been asked to pay more than three reminder fees for the same unpaid amount. In such cases, the calculation model will add up the value of the reminder fees wrongfully charged, and this amount is generally the amount that the customer is to receive as compensation under step 1.

The bank's calculation model also takes into account, however, whether the bank, by issuing a credit note, has credited a reminder fee charged because the bank has decided not to pay compensation to the extent that the wrongfully charged reminder fees have actually been credited before the customer's payment.

Using the available data, the bank can see whether a reminder fee has been credited, but the available data does not always show which reminder fee the bank has credited. The bank has therefore in a number of cases applied assumptions to be able to match credited reminder fees to invoiced reminder fees.

The calculation model therefore first examines whether a period appears from the credit note used for crediting a reminder fee. If so, the bank assumes that the credit note is for a fee charged during the period in question. We have not verified the correctness of this assumption, but note that the assumption seems basically reasonable/natural.

If no period is stated on the credit note, the bank's calculation model assumes that the most recently charged fee has been credited. Depending on the situation, this assumption may be either to the customer's advantage or to the customer's disadvantage.

As a general rule, in relation to the calculation of time compensation, see immediately below for step 3, all else being equal, it will be to the customer's advantage when it is assumed that the most recently invoiced reminder fee has been credited.

However, if the assumption leads to a situation in which the credit note actually concerns a fee paid in a previous arrears period during which the customer was not overcharged, but the bank assumes that the credit note covers a fee paid in an arrears period during which the customer was overcharged, then the assumption is to the disadvantage of the customer.

On the basis of the material received, we cannot assess whether the assumption has actually led to one or more customers being undercompensated. We also note that we have not gained insight into the basis for the assumption that a credit note will always cover the most recently charged fee. The assumption thus gives rise to some uncertainty in relation to the model as such, see below.

Moreover, we have not received any information about the total number of credit notes that the bank has included in its calculations, nor about the proportion of the credit notes included for which no period is specified. It is therefore also difficult to conclude, on the basis of the information available, whether that uncertainty is insignificant.

9.4.14.5.2 Step 2 – Calculation of compensation for wrongful charging of interest on reminder fees

The bank has stated that, on the basis of information about the entry type, it can identify whether a late-payment interest amount constitutes interest charged on a reminder fee. Similarly, according to information received, the bank can identify whether a late-payment interest amount constitutes interest charged on previous late-payment interest charged on a reminder fee.

According to information received, the bank can thus identify exactly how much interest has been charged and added on reminder fees.

As far as we can see, it is not clear from the bank's documentation of the calculation model how the bank has calculated the compensation amount for interest on reminder fees. For example, the documentation describes some assumptions about the order of repayment that applies if a customer pays an invoice only in part. However, we cannot see from the documentation what this assumption is actually used for in the calculation model. Nevertheless, we understand from the assumption that the compensation amount does not consist solely of an addition of all interest items with the entry types which, as explained above, must be assumed to be interest on fees or compound interest amounts.

On the basis of the information available, we cannot determine whether the bank's calculation may lead to overcompensation or undercompensation of the customers affected. We will follow up on this question with the bank once we have gained insight into the precise calculation model.

As described above for the calculation of compensation due to too many reminder fees, the bank has also, in relation to compensation for wrongful charging of interest on reminder fees, attempted to take into account whether the interest amount has subsequently been credited to the customer via a credit note. In this connection, the bank has applied the same logic as described above concerning the charging of too many reminder fees, and reference is made to that section.

In respect of compensation for wrongful charging of interest on reminder fees, the bank has also assumed, in connection with credit notes, that credit notes will always cover a wrongfully charged interest amount before correctly charged interest amounts. This choice is not specifically explained in the documentation, and we cannot therefore assess to what extent it may lead to undercompensation of a customer. We note, however, that the choice does not at first glance comply with the bank's guiding principle that, in the event of inadequate data, the bank will choose the assumption least likely to cause undercompensation of customers.

As regards business customers, on the basis of external legal advice, the bank has assumed that it is entitled to charge interest on reminder fees if 30 days have passed between the date when the bank sends a reminder and the date on which interest starts to accrue.

On 6 May 2022, the bank submitted documentation for the external legal advice obtained by the bank regarding this matter. It appears from this documentation that the assumption is based on an interpretation of the agreement with the customer in conjunction with section 3(2) of the Danish Interest Act,

which states that interest is payable when 30 days have elapsed after the day on which the claimant sent or made a request for payment.

We note that the memorandum concludes that, also in relation to business customers, the bank has had no basis for charging interest on reminder fees in connection with agreements on the leasing of real property. We cannot see from the documentation for the calculation model whether the bank has taken this into account, and we will therefore follow up on this matter with the bank.

As stated above, the bank has established a calculation model, which – in our opinion in many cases – will lead to payment of compensation to the bank's customers, which corresponds to full compensation for the errors identified by the bank.

However, as we also see, the bank's model is based on a number of assumptions, the relevance and accuracy of which we still have a number of questions about. Our final conclusion on the bank's compensation of the affected customers, see above, is therefore given subject to our obtaining further insight into the assumptions underlying the bank's calculations in step 2 above.

9.4.14.5.3 Step 3 – Calculation of time compensation

Time compensation is calculated in the last process step. The bank has thus decided to compensate customers for the period during which the customers should have had the money at their disposal.

The time compensation is generally calculated on the basis of the amounts identified in steps 1 and 2 of the calculation model. According to information received, the bank pays interest in this connection at the ordinary rate of interest on late payments as provided for in section 5 of the Danish Interest Act.

According to information received, the bank has calculated interest for the number of days from the charging of the individual amounts until the compensation is paid to the customer. Thus, the calculation model does not take into account when the customer actually paid the individual amounts owed, which, all else being equal, could lead to overcompensation of the customer in terms of the time compensation.

9.4.14.6 Payment of compensation

According to information received, the bank has attempted to pay out compensation to 10,478 of the affected customers via the customers' NemKonto accounts. Of these, 1,815 payments have, according to information received, failed as a result of blocking, possibly due to the customer no longer having a NemKonto account. The bank will try to pay the compensation to these customers in another way, which we will follow up on in our further investigation.

Moreover, for 1,344 of the customers affected, the bank has set off compensation amounts against a customer's outstanding debt to Nordania.

At 1 May 2022, there are thus 1,619 affected customers to whom the bank has not attempted to pay compensation or for whom no set-off against outstanding debt has been attempted. According to information received, these are primarily customers whose claims are covered by bankruptcy/probate cases because of bankruptcy or because a person is deceased as well as debt relief cases, etc. The bank has stated that the handling of these customers will be transferred to another analysis team at the bank. For this reason, the bank has not been able to provide a specific timetable for when the bank expects to have provided relevant compensation to these customers, see section 9.4.1. above.

9.4.14.7 Communication to customers about compensation

According to information received, the bank has sent a letter to all customers who have received compensation, regardless of whether the compensation has been paid out or set off against the customer's outstanding debt.

The letters state very briefly that the bank has wrongfully charged one or more reminder fees and, in in a few cases, wrongfully charged late-payment interest and that the bank will now refund or reimburse the excess amount paid by the customer.

The letters do not include a statement of the estimated amount of overcollection by the bank. Instead, the letters state that the bank will also be sending a credit note, from which the amount will appear. For customers for whom the bank has made set-off against the customer's outstanding debt, the letters state that the customer will receive the credit note within one to two months.

Finally, the letters state that the bank is in a dialogue with the Danish tax authorities about whether tax is payable on the amount and that the bank will inform the customer of this as soon as it has been clarified.

Overall, we believe that, in many cases, these letters will not be of value to the customer, as the letters do not state what the bank is reimbursing, including whether it is a question of wrongful charging of reminder fees or late-payment interest wrongfully charged, and, where applicable, the period in question. In addition, according to the template for the letter describing off-setting, the amount will not be disclosed until a subsequent credit note is issued. In the letter, the bank states its intention to send the credit note up to 1 to 2 months later.

According to information received, the bank has sent a subsequent letter containing instructions to the customer regarding taxation of the amount received. In these letters, the bank advises the customer about how time compensation should be reported as capital income and how repayment of amounts charged more than 10 years ago should be reported as personal income. In this connection, the bank states which amounts the bank believes that the customer should report in the various fields of the customer's tax assessment notice.

According to information received, on 1 May 2022, the bank sent the letter concerning taxation to 5,751 of the 11,822 customers to whom the bank has paid compensation or for whom set-off has been made. According to information received, the remaining 6,071 letters will not be sent until after 1 May 2022. The postponement was allegedly made to ensure that customers report the taxable income in the correct income year – i.e. reporting is not too early in relation to those who are not liable to pay tax on the amount until the 2022 income year.

9.4.14.8 System and data corrections and potential restart of collection of reminder fees

According to information received, in the cases in which the bank has made set-off, the bank will register the compensation as a "payment" in the customer's file – i.e. a payment that does not necessarily cover the entries that actually consist of wrongfully charged fees and interest. According to the bank, this is because customers do not necessarily still owe the reminder fees and interest in question, but that there may be outstanding amounts relating to other debt. According to information received, the bank will not therefore correct data retroactively.

Thus, we understand that the bank will continue to maintain the interim measures described above in section 9.4.14.2, according to which no new reminder fees are charged, and no interest accrues on customer arrears. This will be necessary if no IT changes or correction of data are made in the bank's systems.

9.4.15 Additional issue no. 15 – Incorrect bookkeeping

Additional issue no. 15 has passed Gate 1, see section 9.3 above, and as described in the following, the bank has assessed that neither Gate 2 nor Gate 3 is relevant in respect of this issue.

The issue concerns the bank's incorrect bookkeeping in its central accounting system. The bank has concluded that no customers are affected by the issue as it only concerns the bank's accounting matters.

As such, it has been found that there is no need for compensation of customers, IT changes or changes to business procedures. On 28 February 2022, the bank furthermore confirmed that no developments have

been identified since our latest report of 31 October 2021 that have given rise to further follow-up. Accordingly, we consider our investigation of this issue to be closed.

9.4.16 Additional issue no. 16 – Handling of time-barred debt in the mortgage deed system

Additional issue no. 16 concerns errors in the bank's mortgage system (Mortgage Deed System, "MDS"), which the bank uses to manage its mortgage deeds.

9.4.16.1 General status and gate

At the time of our report of 31 October 2021, the bank was in the process of identifying the extent of potential errors in the MDS system. At the time, this work had led to the identification of two sub-issues, 16a and 16b, which were described in the report on the basis of the bank's preliminary analysis (Fact Pack), see Gate 1 above, section 9.3, on the gate structure applied.

As described in our report of 31 October 2021, the bank had at that time conducted a preliminary analysis of both sub-issues, but with respect to sub-issue no. 16b, the bank had not yet taken measures to stop the issue. In addition, the bank had not sent letters to the relevant customers to inform them that they could potentially be affected by the issues in question.

As regards sub-issue 16a, after 31 October 2021, the bank informed the potentially affected customers about the occurrence of the issue (Gate 1, see 9.3 above).

Moreover, immediately after we had submitted our report of 31 October 2021, the bank had expected that, before the completion of this report, it would have paid compensation to customers, who, as a result of sub-issue 16a, could have been subject to overcollection (Gate 2, see section 1.2.1 above).

In November 2021, the bank stated that it expected sub-issue 16a to pass Gate 2 in connection with this report, as the bank endeavoured to prepare a model for compensation and to compensate customers entitled to compensation in accordance with this model and, in this connection, send a concluding letter to the affected customers to that effect.

Based on information received as of 2 May 2022, the bank has not yet paid compensation to all customers affected by sub-issue 16a. The bank thus states that it has not yet identified all customers entitled to compensation and that it has only calculated and paid compensation to six out of 30 identified customers (see section 9.4.16.2.4 below).

The bank's further work on sub-issue16a is described in more detail below, section 9.4.16.2.

With respect to sub-issue 16b, after our report of 31 October 2021, the bank has stated that it has found it necessary to revise its preliminary analysis of the sub-issue. In addition, according to information received, the bank has identified three additional sub-issues in relation to the MDS system, 16c-16e.

According to the bank, it has initiated a revision of the previous analysis of sub-issue 16b and the preparation of its analyses of sub-issues 16c–16e, but these analyses have not yet been completed. On the basis of the preliminary information we have received from the bank, the additional sub-issues 16b-16e are described briefly below, section 9.4.16.3. In this connection, we note that we have not received detailed information or documentation of the basis of the bank's preliminary assessments, considerations and measures in relation to the specific issues, and that we therefore do not express any final opinion on the matter in this report.

9.4.16.2 Sub-issue 16a

As described in our report of 31 October 2021, sub-issue 16a concerns the fact that the bank's MDS system does not contain information or have functionality to handle any time-barring of overdue debt. Consequently, any overdue instalments will always be registered in the system as a current amount in arrears – even if all or part of the instalment is in fact time-barred.

The consequence is that, in some cases, the MDS system calculates and adds late payment interest on an incorrect calculation basis, including claims that may be time-barred in whole or in part. As a result of sub-issue 16a, there is a risk that the customer, in connection with payments to the bank, pays more than the amount that constitutes the bank's enforceable (i.e. not time-barred) claim against the customer.

9.4.16.2.1 Preventive measures

According to information received, the bank has initiated two measures to ensure that sub-issue 16a no longer occurs and will thus not increase the risk of overcollection of the bank's customers.

Firstly, according to information received, the bank has requested 40 customers to stop their payments until the bank has investigated their cases further, as the bank has assessed that these customers – if they continue to make payments – would have a significant risk of paying more than their total enforceable outstanding debt to the bank.

As described in section 9.4.16 of our report of 31 October 2021, at the time, the bank expected to ask only 27 customers to stop their payments. On the other hand, the bank would encourage 13 customers to

continue their payments, as the bank found that these customers were not at (significant) risk of being subject to overcollection.

The reason why the bank subsequently decided instead to ask all 40 customers to stop their payments is, according to the bank, that the identification of the error in accordance with sub-issue 16d, see section 9.4.16.3.3, meant that the bank cannot rule out the occurrence of errors in the customers' outstanding debt in all the cases in question, which would entail a risk that the customers will pay too much if they continue their payments.

Secondly, as described in our report of 31 October 2021, the bank has allocated an employee to manually process the cases in which the bank has assessed that there is a risk that customer payments will cover debt which the bank was not entitled to collect. At a meeting held on 18 January 2022, the bank stated that the employee in question at the time processed (i.e. monitored) the 23 cases in which a total of 40 customers were sent a request to stop their payments (see above). In this connection, at a meeting held on 4 May 2022, the bank stated that customers in three of the 23 cases affected had decided to continue their payments despite the bank's request that they stop their payments due to the risk of overcollection. According to information received, the bank's employee has registered the customer's payments, and according to information received, the bank will take this into account when compensation is paid in each customer's case if the customer in fact has paid an amount exceeding the enforceable outstanding debt.

9.4.16.2.2 Customers affected by sub-issue 16a

In connection with our preparation of the report of 31 October 2021, the bank stated that the number of mortgages that the bank assessed could potentially be affected by sub-issue 16a was approximately 120. However, the bank made a reservation that the search for potentially affected customers remained ongoing at the time.

The bank has subsequently stated that a total of 117 mortgages are potentially affected by sub-issue 16a. However, on 24 May 2022, the bank stated that it has subsequently identified one additional mortgage that is potentially affected by the sub-issue, bringing the total number of potentially affected mortgages to 118, according to the bank. We understand that the sub-issue has affected 148 customers associated with the mortgages in question.

According to information received, the bank has identified the potentially affected customers by reviewing data from the MDS and DCS systems regarding customer payment history. Thus, we understand that the bank has examined whether the periods between the due dates of the bank's claims and the customers' payment dates were longer than five years (for claims due before 2008) or three years (for claims due after 2008). In this connection, the bank assumes that, if the individual claims have been paid later than

five or three years after their due dates, there is a risk that the customers in question may have paid debt that was actually time-barred and that the customers are thus potentially affected by sub-issue 16a.

We have been in dialogue with the bank about whether, in connection with its search for potentially affected customers, it has taken into account the fact that, in connection with the implementation of the current limitation periods under the Danish Limitation Act (Consolidated Act No. 1238 of 9 November 2015), a special "transitional rule" was adopted in section 30 of the Act for claims established before the Act entered into force on 1 January 2008, and according to which interest rate debt maturing in, for example, 2007 would generally become time-barred on 1 January 2011, see section 3(1) of the Danish Limitation Act, cf. section 30(1) and not (until) in 2012, which would otherwise have corresponded to five years after the due date.

It is therefore our impression that, if the bank may not have taken this into account in connection with its search for customers potentially affected by sub-issue 16a, there is a risk that some affected customers may have been overlooked in the search process.

At a meeting held on 5 May 2022, the bank stated that, on the basis of our dialogue, it has revised its previous investigation to take account of the transitional rule and that, on this basis, the bank has found that the rule has not affected the number of potentially affected customers.

9.4.16.2.3 Communication to customers about sub-issue 16a

According to information received, at the end of October 2021, the bank sent *information letters* to all 148 customers who are debtors in relation to the 118 mortgages which the bank has found may potentially be affected by sub-issue 16a (see section 9.4.16.2.2 above).

The information letters show that the bank has informed customers about the potential risk that the bank may have overcharged the customers in relation to their mortgages because the bank may have collected debt that was in fact time-barred. At a meeting held on 4 May 2022, the bank stated that 40 of these information letters included a separate section in which the bank asked the customers not to pay instalments on their mortgages and informed them of the risk that they might be subject to overcollection if they continued to make payments (see also section 9.4.16.2.1 above).

After the bank sent the relevant information letters, we have received copies of the letter templates used, and we have no comments in this respect.

9.4.16.2.4 Compensation of customers for sub-issue 16a

As described above, section 9.4.16.2.2, the bank has identified 118 mortgages (comprising 148 customers) *potentially* affected by sub-issue 16a, as the customers, according to information received in the relevant cases, have taken more than five or three years (as the case may be) to pay one or more instalments due on the mortgages.

According to information received, the bank has subsequently reviewed the case history in each of the 118 cases with a view to concluding whether the bank has taken steps to suspend the limitation period toward the customer in connection with its processing of the cases and whether this is of decisive importance to the assessment of whether the customer's payments have been used in full or in part to cover time-barred debt.
To the extent that the bank has been in doubt, after reviewing a potentially affected case, as to whether a customer is entitled to compensation or whether steps taken in the case handling to suspend the limitation period have caused the customer not to be entitled to compensation, the bank has obtained external legal advice in the matter.

In a few cases, the bank has assessed, according to information received, that the maximum compensation to which the customer had been entitled if the limitation period had not been suspended in the customer's case was for such a small amount that, given the time and financial resources required, it has not been feasible to conduct a detailed examination. Instead, the bank has simply taken the view that no suspension of the limitation period has taken place in such cases. According to the bank, the consequences is that the customer's total compensation amount is considered a "gift", which is taxable, see below for more, section 9.4.16.2.4.5.

According to information received, the bank has reviewed the 118 potentially affected cases, and in this connection the bank provisionally concluded on 25 April 2022 that 17 cases (30 customers) are entitled to compensation, while the bank has provisionally concluded that 115 customers are not entitled to compensation.

According to information received, at 25 April 2022, the bank was waiting to receive a detailed assessment from its external adviser concerning the customers' potential entitlement to compensation in ten additional specific cases. According to the bank, this number has currently been reduced to seven cases. We have not yet received any further information about the ten cases, including the bank's assessment of the cases, or the bank's instructions to the external adviser.

According to information received, at 25 April 2022, the bank had paid compensation to six of the 30 customers that the bank has provisionally concluded are entitled to compensation. At a meeting held with

us on 4 April 2022, the bank stated that it expects to have paid compensation to all customers entitled to compensation by 31 May 2022 and that it will have sent conclusion letters to the customers in question. However, on 24 May 2022, the bank stated that the work on payment of compensation and distribution of conclusion letters to all customers entitled to compensation had been delayed to the effect that the bank now expects to complete this process in June 2022.

The bank has also stated that the total expense for compensation to the 30 customers that the bank had provisionally found to be entitled to compensation at 25 April 2022 was calculated at approximately DKK 284,000 plus the costs of time and tax compensation, see sections 9.4.16.2.4.4 and 9.4.16.2.4.5 below.

The bank has described its model for calculating and paying compensation in respect of sub-issue 16a in a so-called "calculation approach" (model documentation). It appears from this material that the bank will compensate the affected customers *partly* for the overcollection resulting from the bank's failure to handle the time-barring of debt in the mortgage system, and *partly* for the bank's collection of late payment interest in the mortgage system calculated on the basis of the time-barred claims. To the extent that the bank has acknowledged its unsecured claim and transferred a customer's outstanding debt to be collected in the DCS, the bank will also compensate the affected customers for the bank's interest collection in the DCS, which may have been calculated on an incorrect basis. Finally, the bank will pay time and tax compensation.

The individual compensation amounts, including the bank's models for calculating the specific amounts, are described below, sections 9.4.16.2.4.2 – 9.4.16.2.4.5. The bank's approach to the payment of the calculated compensation is described below, section 9.4.16.2.4.6, while the bank's communication to customers about compensation for sub-issue 16a is discussed below, section 9.4.16.2.4.7.

9.4.16.2.4.1 Compensation for payment of time-barred claims in the mortgage system

As a result of the bank-s failure to handle time-barring in the MDS system, the bank may have used customer payments to cover (part of) claims that appeared to be enforceable amounts in arrears in the system but were in fact time-barred claims.

According to information received, on the basis of its examination of the customers' case history, see also section 9.4.16.2.4 above, the bank has been able to identify the non-enforceable amounts covered by the payments in the MDS, to the effect that the bank can calculate compensation in this respect.

9.4.16.2.4.2 Compensation for ancillary time-barred late payment interest in the MDS

If a customer has not paid a given instalment on his/her loan secured on a mortgage or pledge, the bank has calculated and added late payment interest on the customer's outstanding amount in arrears in connection with the collection of subsequent instalments. The bank's failure to register time-barring in the MDS has, according to information received, entailed that, after time-barring has taken effect, the bank still calculated late payment interest on the customer's overdue amount in arrears that was no longer enforceable. Part of the late payment interest which the bank collected together with the subsequent instalments was thus calculated on time-barred debt. The bank will compensate customers for this wrongful collection of late payment interest.

According to information received, for the calculation of a customer's late payment interest compensation, the bank initially calculated late payment interest at a rate of 11.35%, corresponding to the highest late payment interest rate observed by the bank, according to information received, in the 118 cases potentially affected.

For example, if a customer had an amount of DKK 50,000 in arrears in the MDS, of which DKK 10,000 was time-barred, the bank has assumed that the share of late payment interest that the bank has collected in connection with the subsequent (quarterly) instalments and that can be attributed to the time-barred part of the customer's amount in arrears, totalled the following:

$$\frac{\text{kr. } 10.000 \text{ x } 11{,}35\ \%}{360 \text{ dage}} \text{ x } 90 \text{ dage} = \text{kr. } 283{,}75$$

We therefore understand that the bank will compensate customers for this amount the bank charged together with each instalment after (part of) the customer's amount in arrears had become time-barred. However, if the customer has paid one or more of these subsequent instalments and the customer's total payment of late payment interest in this connection has been lower than the amount calculated by the bank, for the instalment(s) in question, the bank will compensate the customer only for the actual cost of payment of late payment interest.

It is our immediate assessment that the bank's chosen model for calculating late payment interest rate compensation means that, in most cases, the bank will probably pay *more* in compensation to customers *than* the amount of late payment interest the bank has actually calculated on time-barred debt and thus collected on a wrongful basis.

9.4.16.2.4.3 Compensation for wrongful collection of interest in the DCS

Where a mortgaged property has been sold in connection with a non-forced property sale in which a loss is accepted or at a forced sale, and the bank has thereby lost its (residual) pledge without having obtained full cover of the amount, according to information received, the customer's case has been closed in the MDS and the customer's outstanding debt has been transferred for collection in the DCS.
However, if the bank has used (some of) the customer's payments in the MDS to cover time-barred, non-enforceable claims (see more details in sections 9.4.16.2.4.1 and 9.4.16.2.4.2 above), the outstanding debt transferred by the bank to the DCS would inherently be larger than the customer's actual outstanding debt to the bank at the time. According to the bank, this has meant that it has calculated and added interest on the customer's debt in the DCS on the basis of an excessive interest-bearing debt. The bank will also compensate its customers for such wrongful addition and collection of interest in the DCS.

The bank's model documentation does not explicitly state this, but at a meeting held on 25 April 2022, the bank described how it calculated its compensation for interest collection in the DCS. In this connection, the bank has stated that it has simulated interest calculation on an adjusted basis in calculations made outside the DCS, taking into account the customer's payment history in the DCS, made after the transfer of the customer's outstanding debt from the MDS. For the purposes of this calculation, the bank based its calculations on the fact that the "correct" outstanding debt, which should have been transferred from the MDS to the DCS, corresponds to the outstanding debt actually transferred less the bank's calculated compensation for time-barred claims and the collection of late payment interest in the MDS, see sections 9.4.16.2.4.1 and 9.4.16.2.4.2 above.

Considering the fact that in most cases the bank's compensation for late payment interest in the MDS is assumed to involve a larger amount than the bank's actual and wrongful collection of late payment interest (see section 9.4.16.2.4.2 above), it is also assumed that the use of this amount in connection with the bank's estimation of the customer's "correct" opening balance in the DCS will result in the calculated "correct" outstanding debt in most cases being *lower* than the actual correct outstanding debt. Against this background, it is our immediate assessment that the method chosen by the bank for calculating interest compensation implies that in most cases the bank will probably pay customers *more in* compensation than the amount to which customers would be entitled according to a precise recalculation.

9.4.16.2.4.4 Time compensation

According to information received, the bank will also provide time compensation (see the description of time compensation in section 7.8 of our report of 31 October 2021). The bank has stated that the time compensation is calculated according to the same principles as the bank has applied in connection with the bank's compensation for the four root causes described in section 7.8 of our report of 31 October 2021.

According to information received, the bank has calculated the time compensation for sub-issue 16a on the basis of the bank's compensation for payments made by the customer and used by the bank to cover time-barred, non-enforceable claims and wrongfully charged late payment interest in the MDS, see sections 9.4.16.2.4.1 and 9.4.16.2.4.2 above, regardless of whether the customer's payments used by the bank to cover the time-barred and wrongful claims were made over a period of time and in connection with several regular payments (see below for more details on the start of the interest accrual).

The bank has also stated that it has not calculated time compensation on the basis of its compensation for the wrongful collection of interest in the DCS, see section 9.4.16.2.4.3 above. According to information received, the reason is that the bank has found that customers in the cases in question have not actually paid the interest charged by the bank and that none of the customers will therefore be entitled to time compensation.

According to information received, as stated above, the bank has used the calculation principle described in section 7.8 of our report of 31 October 2021 in relation to the bank's calculation of time compensation in cases where the overcollection is determined on the basis of the bank's 'business decision'. This means the bank has calculated the time compensation based on the total compensation from the earliest date on which the debt *could* have been time-barred, and thus not (until) from the date of the "customer's first overpayment", i.e. the date on which a customer first made a payment which, due to the prior time-barring, was used to cover non-enforceable debt.

According to information received, the bank has calculated time compensation up to the date of payment of compensation to the customer.

9.4.16.2.4.5 Tax compensation

The bank has assessed that all compensation amounts calculated in whole or in part on the basis of the bank's estimates or assumptions will be considered by the Danish tax authorities as constituting a "gift" that is taxable for the customer. In relation to sub-issue 16a, the bank has stated that the bank's compensation for payment of ancillary late payment interest in the MDS, see section 9.4.16.2.4.2, for wrongful interest collection in the DCS, see section 9.4.16.2.4.3, and time compensation, see section 9.4.16.2.4.4, is calculated on the basis of such estimates and assumptions. In addition, the bank has stated that the bank's full compensation amount, including the bank's compensation for payment of time-barred claims, see section 9.4.16.2.4.1, is considered to constitute a "gift" in cases where the bank, in consideration of the resources available, has not made a detailed examination of the cases but has merely decided to pay an amount equal to the maximum possible compensation amount.

Against this background, the bank has decided to compensate its customers for the tax payable on the compensation amounts paid. In this connection, the bank has generally decided to pay a compensation amount equal to 37.8% (22% for business customers) of the bank's compensation amount (see section 6.3 above on the bank's general approach to tax compensation).

In its conclusion letters to customers about the bank's compensation, the bank described how customers should act if they pay top-bracket tax, as such customers may apply for additional tax compensation. In this connection, the bank has also advised customers of the obligation to report the taxable compensation amounts correctly to the Danish tax authorities (see also section 9.4.16.2.4.7 below).

9.4.16.2.4.6 The bank's payment of compensation

The bank has stated that it will generally – to the extent possible – compensate the calculated amount by set-off.

In cases where the customer continues to have an enforceable debt in the MDS, the bank will set off the compensation against the customer's outstanding enforceable amount in arrears if it relates to the same mortgage on which the compensation is based. In cases that have been closed in the MDS and where the customer's outstanding debt has been transferred for collection in the DCS, the bank will make its set-off against the customer's current enforceable outstanding debt in the DCS.

According to information received, the bank will register its set-off against the customers' current amount in arrears or outstanding debt in the debt collection systems by making "deposit entries" in the systems corresponding to the total compensation amount calculated (see more in section 9.4.16.2.5 below).

If the compensation calculated by the bank exceeds the customer's outstanding amount in arrears in the MDS (if any) or the customer's (transferred) outstanding debt in the DCS, or if the customer does not have such current debt to the bank, the bank will pay out the (remaining) compensation amount to the customer. However, according to information received, the bank's tax compensation will in all cases be paid to the customers, if the bank has the information required to effect such payment.

According to information received, at 25 April 2022, the bank had paid compensation to six of the 30 customers that the bank has provisionally concluded are entitled to compensation. At a meeting held with us on 4 April 2022, the bank stated that it expects that, by 31 May 2022 at the latest, it will have compensated all customers entitled to compensation, including that it will have registered the set-off in the MDS and the DCS and/or paid the calculated compensation. However, on 24 May 2022, the bank stated that the work on payment of compensation and submission of conclusion letters to all customers entitled

to compensation had been delayed to the effect that the bank now expects to complete this process in June 2022.

Reference is made to section 7.2 above regarding the use of the customer's amount in arrears for set-off and the challenges that this entails in relation to the existence of the four root causes and the other additional issues.

9.4.16.2.4.7 Informing customers about compensation for sub-issue 16a

In connection with the bank's payment of compensation, the bank has started sending *conclusion letters* to customers informing them whether they have been entitled to compensation and, if so, details of such compensation.

We have received copies of the three letter templates that, according to information received, the bank has prepared and used to inform customers, one of which informs customers that the bank has reviewed the customer's case and assessed that the customer is not entitled to compensation.

First of all, we note that all three conclusion letters contain information to customers that the bank is still investigating other issues related to the customers' mortgages and that the customers may potentially be affected by this, see section 9.4.16.3 below. In this connection, the bank states that it cannot be ruled out that the bank's investigations of this matter will extend into 2023, but that the bank will contact the customers again and that the customers will therefore not have to take any further steps until then.

In addition, we note that all three conclusion letters contain information about the telephone number and e-mail address of the bank at which the customer may contact the bank if the customer has any questions about the basis for the bank's conclusion, disagrees with the bank's conclusion or wishes to report further losses that the customer believes to have suffered as a result of the specific sub-issue.

In addition to the information mentioned above, which is included in all the bank's conclusion letters, the bank's letter templates for customers entitled to compensation also describe the individual compensation amounts. In addition, the conclusion letter which, according to information received, will be sent to customers in the cases in which the bank has made a detailed examination of the customers' right to compensation, contains information about which parts of the customer's compensation are deemed to be taxable. The conclusion letter, which according to the bank is sent to customers in cases where the bank has not made a detailed examination of the customer's right to compensation (see section 9.4.16.2.4), states that the customers' full compensation amounts are taxable. The letters provide guidance on how the customer should report the taxable parts of the total compensation amount to the Danish tax authorities.

We note that the bank's distinction between the two conclusion letters appears to be based solely on whether or not the bank has made a detailed examination of the customers' right to compensation in the individual cases. In this connection, we note that, in relation to additional issue no. 14, the bank has obtained an external legal assessment of the customers' potential tax liability. According to the legal assessment, if the customer's claim for repayment is or may be time-barred, the bank's compensation will also be taxable, even if the bank has calculated the compensation amount accurately and the amount thus is not calculated on the basis of estimates and/or assumptions.

At a meeting held with us on 4 April 2022, the bank stated that the oldest repayment claims of customers in relation to sub-issue 16a arose around 2008 and thus more than ten years ago. As far as we can tell, this means there is a risk that the bank's guidance on tax liability to customers in these cases is inaccurate and that the bank may not be paying full compensation in respect of the correct tax. We informed the bank of this issue at a meeting held on 4 May 2022, and the bank has stated that it will investigate the matter further. On 10 May 2022, the bank subsequently informed us that, contrary to information previously provided, no customers are receiving compensation for payments made by the customers more than ten years ago in any of the cases in question.

Finally, in relation to the bank's conclusion letters, we note that the letters do not state how the bank has calculated the individual compensation amounts. However, in the letters the bank has provided a telephone number on which the customers may contact the bank if they would like to receive more detailed information about the bank's calculations. In this connection, we refer to the comments in section 8.3 of our report of 31 October 2021, as we do not find any grounds for criticising the solution selected by the bank for these letters.

At a meeting held on 4 April 2022, the bank stated that it is preparing an additional conclusion letter to be sent to customers who will receive compensation by partial or full set-off (see section 9.4.16.2.4.6). We have therefore not at this stage had the opportunity to consider the contents of this letter in detail, including how the bank deals with the fact that the balance used for set-off may be affected by other additional issues (see section 7.2 on the bank's set-off).

According to information received, the bank has sent letters to 121 customers, informing them whether they have been entitled to compensation for the bank's errors as a result of sub-issue. 16a. According to the bank, 115 of these customers have received information that they have not been subject to overcollection and are therefore not entitled to receive compensation. The remaining six customers have been informed that they have been subject to overcollection and have received compensation for this (see section 9.4.16.2.4.6 above).

At a meeting held with us on 4 April 2022, the bank stated that it expects to have provided compensation to all customers entitled to compensation by 31 May 2022, including having made and registered set-off and/or payment of the calculated compensation, and having sent conclusion letters to the relevant customers. However, on 24 May 2022, the bank stated that the work to pay compensation and submit conclusion letters to all customers entitled to compensation had been delayed to the effect that the bank now expects to complete this process in June 2022. In a subsequent report, we will state whether the assumed compensation has actually been paid out.

9.4.16.2.5 System and data corrections/write-back

According to information received, the bank will register its set-off against the customers' current amount in arrears or outstanding debt in the MDS and the DCS by making "deposit entries" in the customers' debt accounts in the systems corresponding to the compensation amounts calculated. We understand that the bank will carry out this data correction in its systems in connection with the bank's payment of compensation to the affected customers.

As regards the bank's set-off against the customers' outstanding debt in the DCS, at a meeting held on 4 April 2022, the bank stated that it found that among the provisionally identified customers entitled to compensation, see section 9.4.16.2.4 above, four specific cases occurred, which have also been compensated for root causes 1–4. As described in section 7.1 of Report 1, the bank's calculation of compensation for the four root causes has been made without entries in the bank's debt collection systems, and therefore customers who have received compensation for the root causes may still show too high outstanding debt in the debt collection systems until the bank makes an adjustment or set-off of this registered outstanding debt. However, at the meeting held on 4 May 2022, the bank stated that it will book its set-off for sub-issue 16a in the MDS and the DCS on the basis of the information currently registered in these systems.

In this connection, we note that we are not sure how the bank will subsequently handle the potential situation that the bank's entry of the set-off calculated by the bank for the four root causes results in the customer receiving (additional) compensation, see the general issue above, section 6.1.1.

9.4.16.3 Status of sub-issues 16b–16e

As described above, section 9.4.16.1, additional issue no. 16 covers other sub-issues than sub-issue 16a described above. At a meeting held on 18 January 2022, the bank stated that it is analysing four other sub-issues related to the bank's mortgage system (16b-16e).

It is not known when the bank expects to complete its analyses of the additional sub-issues, but the bank has shown us its preliminary and immediate observations in relation to the sub-issues, see sections 9.4.16.3.1 – 9.4.16.3.4 below.

In this connection, we note that we have not received any detailed information about the basis for the bank's preliminary observations, assessments and measures in relation to the specific sub-issues, and we have therefore not had the opportunity to consider in detail the preliminary information presented by the bank.

9.4.16.3.1 Sub-issue 16b

As described in section 9.4.16 of our report of 31 October 2021, sub-issue 16b concerns the fact that the individual debt items in the MDS – i.e. interest, fees, principal, etc. – are aggregated to a total "principal" that is transferred for collection in the DCS in cases where the bank's mortgage has lapsed or been extinguished without the bank having obtained full recovery of the debt, for example in connection with non-forced property sales in which a loss is accepted.

At a meeting held on 18 January 2022, the bank stated that, in its analysis of sub-issue 16b, it found that this sub-issue covers a number of derivative issues, sub-issues 16b.1–16b.4, which the bank is currently analysing, but has yet to describe to us in detail.

As described in section 9.4.16 of our report of 31 October 2021, the bank stated that it had not taken any measures to stop the sub-issue at the time, but that it was investigating any relevant and possible measures to stop the sub-issue. It is our understanding that the bank has not yet formalised measures to "stop" the sub-issue and that there is therefore (still) a risk of errors in connection with the transfer of cases from the mortgage system to the DCS. However, on 24 May 2022, in connection with consultations regarding this report, the bank stated that, in October 2021, a process was initiated to formalise measures to "stop" the sub-issue. According to information received, these measures were initiated at the end of October 2021. The bank finds that, after the implementation of these measures – combined with the Pause project (see section 4.2) – the issue can no longer arise. We do not have any insight into the above-mentioned measures and will follow up on them.

9.4.16.3.2 Sub-issue 16c

According to information received, sub-issue 16c concerns the same issue as sub-issue 16a. The issue is that the MDS does not contain information about or functionality to handle any time-barring of amounts in arrears in the system, and therefore any defaulted claims are always registered as a current amount in arrears in the system, even if all or part of the claim is in fact time-barred.

The reason for the bank treating the two sub-issues separately is, according to information received, that sub-issue 16a concerns the mortgages included in the bank's "own holdings". These are mortgages in which the bank is/was a creditor. In the bank's analysis of sub-issue 16c, the bank focuses on the mortgages included in the bank's "customer portfolio". These are mortgages in which the bank's customers are/have been a creditor and where the bank is merely an "administrator". The mortgages in the bank's customer portfolio are (also) registered in the MDS.

As a result of the bank's role as administrator in relation to the mortgages in the customer portfolio, the bank has stated that it is initially investigating its liability in the relevant cases, including whether it is the bank's responsibility to ensure that the payments made by the customers (debtors) are not used to cover debt that is no longer enforceable as a result of time-barring.

At a meeting held on 18 January 2022, the bank stated that it was currently investigating possible measures to stop sub-issue 16c.

In this connection, we note that, on the basis of the preliminary information we have received from the bank in relation to sub-issue 16c, we understand that the bank has still not implemented any measures to stop the sub-issue in general. According to information provided by the bank, there are currently more mortgages in the bank's customer portfolio for which the customers are paying, but, according to information received, the bank does not currently consider that this would pose a risk of overcollection. However, at a meeting held on 4 May 2022, the bank informed us that, in the bank's assessment, only one mortgage in the bank's customer portfolio involves a potential risk of overcollection if the customer continues to pay and that the bank will therefore handle this specific case in order to prevent overcollection. At this stage, we have not received any further information about the bank's specific examination of the mortgages in its customer portfolio, including how the bank has reached the conclusion that the portfolio includes only one mortgage at risk of overcollection. We will therefore follow up on this in a future report.

We believe that, as soon as possible, and in accordance with the Danish FSA's order no. 3 of 21 September 2020, the bank should adopt specific, necessary and relevant measures to stop sub-issue 16c in case the risk of overcollection cannot be ruled out. In this connection, it does not make a difference that the bank is collecting a claim as an administrator of a customer who is the creditor of the claim.

In this connection, the bank's incorrect handling of the debt may also cause the customer/creditor concerned to be entitled to compensation. In our opinion, any liability towards this customer cannot justify the bank's continued collection of debt that may be time-barred.

9.4.16.3.3 Sub-issue 16d

As described above, section 9.4.16.2.4.2, the bank calculates and adds late payment interest to a customer's outstanding debt in the mortgage system. Late payment interest falls due at the same time as the customer's current payments.

According to information received, sub-issue 16d concerns the fact that the bank's ongoing calculation and addition of late payment interest in the mortgage system may potentially result in a customer paying too much late payment interest in connection with paying a previous overdue debt.

The bank has stated that it starts calculating default interest seven days after the due date of a customer's overdue debt. In this connection, it appears from the meeting material from the bank's Athens Council meetings that, if the customer pays between seven and 69 days after the due date, the bank calculates and adds late payment interest for the exact number of days that the customer has paid late. If, on the other hand, the customer pays the outstanding claim between 70 and 90 days after the due date, say on day 80, the bank calculates and adds late payment interest for 90 days' default. This means that the customer may be charged late payment interest for more than the warranted days of default.

The bank has stated that the specific sub-issue is related to both the mortgages in the bank's "own holdings" and the bank's "customer portfolio" (for more details, see section 9.4.16.3.2 above).

As regards the mortgages in the bank's own holdings, the bank has, according to information received, taken steps in March 2022 to stop the sub-issue from occurring in future.

According to information received, the measure entails that, in all cases where a customer in future may pay an amount in arrears between 70 and 90 days after the due date of the bank's claim, and where the bank finds that there is a risk of overcollection of late payment interest, the bank will manually change its calculation of late payment interest falling due in connection with the customer's subsequent payment. As a result of the manual change, instead of charging late payment interest for 90 days default, the bank will charge late payment interest for only 60 days default.

The measure has been implemented by way of manual monitoring, and we have not received any detailed description of it, nor have we received a copy of the bank's case-processing instructions for the monitoring task.

With respect to the mortgages in the bank's customer portfolio, the bank finds that it is not entitled on its own accord to make a similar decision about such measures to reduce the customers' (debtors') total interest payments. According to the bank, this would require that it enters into a separate agreement

with each individual customer/creditor in advance. We therefore understand that the bank has not at present taken any measures to stop sub-issue 16d as regards the mortgages in the bank's customer portfolio. We believe that the bank should take steps as soon as possible to ensure that these cases also do not involve a risk of future overcollection.

9.4.16.3.4 Sub-issue 16e

According to information received, sub-issue 16e concerns an error in the bank's procedure in connection with the bank's calculation of the value of its residual mortgage on a property for which a request for a forced sale has been made. The bank has divided the sub-issue into two additional sub-issues:

Sub-issue 16e.1 concerns the fact that the bank has fixed procedures for calculating the value of its residual mortgage when answering requests from mortgagees in connection with forced sales. However, an error in the bank's procedures has caused the bank to add compound late payment interest in the calculation of the value of its residual mortgage, which, according to the bank, is not allowed.

The error is due to the fact that the bank has transferred manually the information about the customer's amount in arrears in the mortgage system to a document outside the bank's debt collection system and that the bank has manually calculated and added late payment interest in connection with registrations in this document. However, the total amount in arrears transferred from the mortgage system already includes the late payment interest that the bank has calculated in the system on an ongoing basis and added to the customer's amount in arrears.

At a meeting held on 18 January 2022, the bank stated that it has provisionally stopped its current procedure in order to stop sub-issue 16e.1 while the bank investigates how to ensure that the requests from mortgagees can be answered correctly in future. In this connection, the bank has stated that it receives about 20 requests from mortgagees per year.

Sub-issue 16e.2 concerns the fact that, according to the bank, when calculating the value of its residual mortgage for use in replying to certain requests from mortgagees in connection with forced sales, the bank may only include late payment interest accrued on the customer's debt within the past 12 months. However, the information about the value of the bank's residual mortgage in the mortgage system on which the bank has based its reply to requests from mortgagees may contain late payment interest added to the customer's debt more than 12 months previously. In its own opinion, the bank has thus disclosed an excess value of the bank's residual mortgage to the customer sending the enquiry.

We note that we have not yet received any further information on or documentation for the bank's preliminary measures and assessments, for example details of the basis for the bank's identification of the

issues and the underlying legal assessments. At the time of submission of this report, we have therefore not had the opportunity to consider the bank's analysis and treatment of sub-issue 16e, including whether the bank has taken the necessary measures to stop the sub-issue in addition to the provisional stop for replying to requests from mortgagees.

9.4.17 Additional issue no. 17 – Errors in interest rates in agreement documents

Additional issue no. 17 has passed Gate 1, see section 9.3 above. As described in section 9.4.17 of our report of 31 October 2021, the bank had at the time stopped the risk of overcollection due to sub-issue 17a by introducing the bank's Pause logic. Since we submitted our report of 31 October 2021, the bank has also, according to information received, taken steps to stop sub-issue 17b and sent information letters to all customers potentially affected by additional issue 17 (see below). At the present time, we have not received any information as to whether the bank has prepared a model for calculating compensation to the affected customers, including whether the bank has initiated payment of compensation or correction of the debt balance of the affected customers (Gate 2).

Additional issue 17 concerns a lack of functionality in the DCS to calculate simple interest instead of compound interest. The bank implemented a preliminary solution in 2012, which implied that, from that date, interest in the DCS was added with a future value date (31 December 2999). As a result, the system no longer calculated interest on these interest rates. However, the solution with the future value date may in some cases result in interest being calculated on too large an amount, which is treated as issue 17a.

Sub-issue 17b concerns the fact that the booking date has been used as the date of limitation for interest and fees in the DCS instead of the so-called interest charging date, which is the date from which interest and fees are calculated. In cases where the interest charging date is earlier than the booking date, this may result in the charging of time-barred interest and fees.

As stated in our report of 31 October 2021, the bank has identified a number of potential additional sources of error in relation to the use of a future value date in the calculation of interest in the DCS or issues in relation to the calculation of interest in the DCS in general. In connection with the follow-up on additional issue no. 17 in this report, the bank has confirmed that these additional sources of error are treated in full or in part as additional issues nos 27 and 39, while the bank's analyses of part of these potential sources of error are still pending.

In our report of 31 October 2021, we described that the bank has initiated IT developments to ensure the correct calculation of interest in future relative to sub-issue 17b. We have asked the bank to inform us of the status of this IT development. The bank has stated that it has implemented a change which means

that the earliest date of the booking date, the interest value date and the commission value date is used when an account is transferred to the DCS. This ensures that the earliest possible date of limitation is always used, which will ensure that the bank does not collect time-barred claims. We have received documentation in relation to the bank's development work. However, we have not yet had the opportunity to consider this documentation, including whether the bank has thus ensured that the issue will no longer arise.

As mentioned in our report of 31 October 2021, the bank stated that in September 2021 it had sent letters to 60,000 of the 90,000 customers potentially affected by one or more additional issues, including issue no. 17. As described in section 5.2.1 above, the bank has now confirmed that letters have subsequently been sent to the remaining customers, and that customers who may be affected by issue no. 17 have thus been fully informed. The issue has thus passed Gate 1, see section 9.3.

9.4.18 Additional issue no. 18 – Failure to follow-up on payment agreements

Additional issue no. 18 concerns the bank's failure to follow up on temporary payment agreements that the bank has entered into with customers in the DCS in cases where the customer is unable to comply with the terms of a payment agreement which stipulates a payment to reduce the principal that is appropriate in proportion to the debt. In such cases, the bank may choose to offer a temporary agreement under which the customer makes a smaller payment "than usual", but only after the bank has assessed whether the payment is acceptable in relation to the size of the debt and the customer's situation. According to its contents, the temporary agreement runs for a maximum of three years, after which the agreement should have been renegotiated.

In cases where the bank has not followed up on the temporary agreements, customers have been able to continue payments under such agreements for a period of more than three years, even if the customer would never repay the debt in full to the bank under the temporary payment agreement because the interest accrued equals or exceeds the current instalments. The bank has assessed that the lack of follow-up and renegotiation will be contrary to the good practice rules and that, in the bank's opinion, the customer will be entitled to receive compensation.

9.4.18.1 The bank's preliminary analyses regarding compensation

In our report of 31 October 2021, we described the bank's estimates of the extent of the compensation payable and the number of affected customers. In this connection, we stated that the bank had divided customers into different segments, depending on the risk of occurrence.

Following our report of 31 October 2021, the bank has stated that a search for customers is complex and requires a significant manual effort, as the bank cannot apply fixed search criteria and because identification of the issue requires an analysis of the individual customer's payment history. The bank has stated that the search for customers therefore effectively involves screening all payment agreements that the bank has entered into with customers whose debt is collected through the DCS. According to information received, this work has not yet been completed.

On 16 March 2022, the bank informed us that the bank no longer separates the issue into different risk segments in the way we described in our report of 31 October 2021. In addition, the bank has stated that it is considering various solution models regarding compensation, but that the bank is not yet able to present a completed calculation model that will be applied. According to information received, the bank is working on a model in which customers' cases are recalculated in such a way that all payments during the relevant period cover the interest-bearing principal. This will lead to a reduction of the outstanding debt of customers who continue to have a debt with the bank in the cases in question or, where appropriate, to the payment of cash compensation. However, we have not yet gained insight into the timetable for this work.

9.4.19 Additional issue no. 19 – Triviality limit

Additional issue no. 19 concerns cases in which the bank has reset the balance to zero and closed an account where the customer had paid more than the current balance in connection with the repayment of the outstanding debt. In this connection, the bank has applied a triviality limit (DKK 50) within which the bank has reset the account balance to zero without paying out the customer's receivable to the customer.

At the beginning of 2022, through its continued analysis initiatives, the bank found that it had also followed the above practice in a number of cases where the balance was positive and in the customer's favour by more than the limit stated above. This issue is described below in section 9.4.19.2, as sub-issue 19b.

Developments since 31 October 2021 concerning the original issue are described below in section 9.4.19.1, as sub-issue 19a.

9.4.19.1 Additional issue 19a – Overcollection below DKK 50

9.4.19.1.1 Description of the issue

Initially, it should be noted that the bank has stated that, in 2021, it implemented a new standard procedure for closing accounts with positive closing balances. As a result of this new procedure, the bank will pay out any positive balances to the customer prior to closing the account in the DCS.

The bank has also decided to pay out DKK 50 in compensation to all customers whose balances were reset to zero during the relevant period, notwithstanding that the balance reset to zero was for a smaller amount in a large number of cases.

The bank has identified a total of 12,804 customers who will receive a compensation amount of DKK 50. The bank has also confirmed that, prior to our report of 31 October 2021, the bank had sent information letters to 11,706 of the affected customers. The remaining customers have – to the extent that their compensation has been paid out –not received conclusive information until the payment of the compensation amount.

The bank has stated that compensation has been paid to a total of 9,044 customers and that it has requested payment details for another 821 customers. This means the bank still has to pay compensation to 2,939 customers. These customers include estates of deceased persons and bankruptcy estates, as well as customers whose ongoing money laundering-related investigations block payments from the account.

Issue 19a is thus considered to have passed Gate 2, see section 9.3 above.

9.4.19.1.2 Special information about accounts with several debtors

As mentioned above, since our report of 31 October 2021, the bank has further analysed the scope of the issue, leading to the identification of a number of new customers, and the population of affected customers has increased from 11,706 to 12,804.

During this period, the bank has also considered a number of special cases involving accounts with more than one debtor. In this connection, the bank has chosen a solution in which – considering the amounts involved – the bank will pay DKK 50 in compensation to all registered debtors.

We believe that all customers covered by issue 19a have received full compensation in connection with the error found, but see above for customers to whom payment has not yet been effected.

9.4.19.1.3 Preventive measures

The bank has stated and documented that it has introduced a new business procedure that will see all amounts in favour of the customer being paid to the customer, if possible.
Furthermore, the business procedure describes how to handle amounts that cannot immediately be paid to the customer and the time period during which the customer can assert his/her claim.

9.4.19.1.4 Calculation of compensation

As described above, the bank has chosen a solution in which the bank has paid out DKK 50 to all potentially affected customers and debtors.

In addition, the bank has paid a time compensation.

The compensation amount is calculated on the basis of the fixed amount of DKK 50 and from the date of the customer's last payment when the account balance changed from negative to positive. It is relevant to note that, when calculating time compensation, the interest rate applied equals the current interest rate at the time of the customer's first overpayment, which is in accordance with section 5 of the Danish Interest Act.

As the selected compensation approach means that the bank pays more to the customer than the customer is necessarily entitled to, the bank believes that the amount will be taxed as a taxable gift. The bank therefore also grants a tax compensation allowance equal to the amount the customer will be ordered to pay in tax as a result of the compensation paid out. According to this approach, the rate of tax compensation is calculated on the basis of an average Danish income, and in the information letter customers are encouraged to contact the bank if they are subject to a higher tax rate and are therefore entitled to a larger compensation.

9.4.19.1.5 Communication to customers about compensation

In connection with communication to customers about payment of compensation in relation to issue 19a, the bank has prepared an additional letter template containing information about the overall issue and how the bank has calculated the compensation amount. Customers are also informed about time and tax compensation and receive guidance on reporting of compensation to the Danish tax authorities.

9.4.19.1.6 System correction

As mentioned in our report of 31 October 2021, the bank stopped closing all open cases with a positive final balance in the DCS in connection with the establishment of additional issue 19a. As a result, in June 2021, there was a backlog of some 3,500 cases awaiting closure. The failure to close cases was due to factors such as system blocks in the DCS that prevented the bank from reversing as well as reclassifying amounts older than six months. The system block has subsequently been removed, and the bank informed us at a meeting held on 20 January 2022 that about 2,000 cases have been closed and that 1,500 cases remain open.

The bank has stated that a project has been initiated with a view to closing the pending cases. The bank has also stated that the handling of the pending cases is considered quite complex because they may involve other issues.

Finally, we note that the bank has created an additional issue no. 38, which is aimed at, among other things, analysing the risk that a number of customers whose cases after repayment in full of their debt have not been closed in the DCS may have suffered a loss as a result of the failure to close their case. We will follow up on this in our further work.

9.4.19.2 Additional issue 19b – Overcollection exceeding DKK 50

9.4.19.2.1 Description of the issue

Until February 2022, the bank believed that positive amounts above the triviality limit of DKK 50 have been paid out in a manual process in accordance with a separate practice at the bank.

Upon further analysis, however, the bank has found that for some customers with positive balances exceeding DKK 50, the bank has also reset the account to zero in connection with the closing of the account without paying out the balance to the customer. So far, the bank has found that this practice has been applied to approximately 900 debtors, distributed on around 800 accounts with positive amounts of up to DKK 5,000. For this reason, the bank has set up sub-issue 19b.

The bank has chosen to compensate the affected customers through a combination of automated and manual payment, which is partly consistent with the approach used in issue 19a. According to information received, this means, on the basis of a risk assessment, the bank has defined an upper limit of DKK 1,000, for which payment has been handled automatically. For customers with a positive reset balance of more than DKK 1,000, payment must be processed manually.

The bank has decided not to send information letters to the affected customers, as the bank has found that it was sufficient to inform these customers by way of the compensation letter sent in connection with the payment.

On 27 May 2022, the bank stated that, as at 3 May 2022, it had paid compensation to 420 of 669 affected customers and that the remaining customers, to which, according to information received, it has not been possible to pay compensation at this time, will be handled in a separate track.

According to information received, issue 19b has thus passed Gate 2, see section 9.3 above.

9.4.19.2.2 Affected customers

The bank states that it has conducted a search in the DCS for the purpose of identifying potentially affected customers. According to information received from the bank, the search was made on the basis of a number of search criteria: 1) Closed accounts in the DCS at the bank's Danish branch; 2) the customer has made his/her final payment through an account-to-account transfer, or an automatic transfer which has resulted in a positive outstanding balance of more than DKK 50, 3) the customer owns an account on which these positive balances have been reduced to zero before the account was closed in the DCS. As at 2 May 2022, we have not received any further information or documentation of the bank's search, so we cannot make a proper assessment of whether the search was in fact sufficient and adequate.

According to information received, on the basis of its search, the bank has assessed that approximately 900 customers, distributed on around 800 accounts, are affected by the current issue. As at 2 May 2022, the bank was not able to share more accurate numbers of customers or accounts, which also applies to the distribution of customer receivable balances. We also note that, as at 2 May 2022, we have not received documentation for customers with receivables exceeding DKK 1,000, and therefore we have not been able to assess the matter. However, the bank has stated that all customers with receivables exceeding DKK 1,000 have been referred for manual processing. We will follow up on this in our further work.

9.4.19.2.3 Preventive measures

The preventive measures for issue 19b are essentially similar to those for additional issue 19a, see section 9.4.19.1.3 above, to which reference is made.

9.4.19.2.4 Compensation and communication to customers

At a meeting held on 28 April 2022, the bank stated that, on 26 April 2022, the bank had paid compensation regarding additional issue 19b to the majority of the affected customers unless this had been impossible due to missing payment information etc. However, payment to some remaining customers was scheduled for completion on 3 May 2022. The bank has stated that payment of compensation to customers with special cases, such as estates of deceased persons and bankruptcy estates, remains pending, and this also applies to customers for whom payment information etc. is missing.

As at 2 May 2022, we had not received a detailed description of the bank's method of calculation and determination of compensation to the affected customers. In this report, we are therefore not able to assess the bank's approach to compensating customers and therefore cannot assess whether the compensation provided is sufficient. We will revert to this matter if the bank's documentation should give rise to comments.

9.4.20 Additional issue no. 20 – Discrepancy between contractual basis and actual collection in the DCS

Additional issue no. 20 is described in this report based on the bank's initial analysis (Fact Pack). The bank has not yet informed the potentially affected customers, and the issue has not passed Gate 1, see section 9.3.

9.4.20.1 Nature and scope of the issue

Additional issue no. 20 concerns a number of cases in which the bank has found that there is a difference between the interest rate calculated and added to the customer's debt by the bank and the interest rate agreed with the customer. At 1 October 2021, the issue was in such an early analysis phase at the bank that the issue was not addressed in our report of 31 October 2021.

The issue consists of three sub-issues for which the bank had prepared an initial analysis at the time we prepared this report. The bank has not yet sent information to the affected customers, and for this reason, the bank has not yet passed Gate 1 described in section 9.3 above.

Additional issue no. 20 comprises about 40,000 customers in the DCS system.

Specifically, the discrepancies are due to differences in how interest is calculated in the DCS and how interest is calculated in the separate DCS module, the "Agreement Calculator", which generates the bank's contract documents and amortisation tables in relation to debt collection customers in the DCS.

Notwithstanding that the DCS and the Agreement Calculator use the same debt data, interest is calculated differently. As a result, the customer's repayment agreement with the bank may show either a higher or a lower total repayment obligation than what is calculated and charged in the DCS. Issues relating to discrepancies between customers' repayment agreements and the calculation of interest in the DCS are addressed by the bank under sub-issue 20a.

Similarly, the bank has found discrepancies between, on the one hand, the bank's information to customers about the annual percentage rate (APR) and, on the other hand, the APR which can be calculated on the basis of what is actually charged in the DCS. This issue is addressed by the bank under sub-issue 20b.

Finally, the error in the Agreement Calculator entails that the amortisation plans that the bank generates for the customer by way of the Agreement Calculator are inconsistent with the amounts actually charged in the DCS. This is addressed by the bank under sub-issue 20c.

The bank's preliminary analysis shows that additional issue no. 20 has arisen because of a fundamental lack of control and quality control at the bank. In this connection, the bank's analysis team notes that the issue has occurred systematically since 2004 and that, throughout the period, no periodic quality assurance has been established to ensure that the automatic generation of contract documents was functioning as intended.

Moreover, the bank's analysis team states that, during the period, there has been a lack of governance and risk assessment in connection with the implementation of product changes. In this connection, the analysis team refers, for example, to the business decision to change the bank's calculation of interest implemented on 1 January 2016. As a result of this change in the DCS, some errors no longer appeared in the agreement calculator, but at the same time the change introduced new discrepancies between the DCS and the agreement calculator. The change was not fully understood or anchored in either the bank's IT department or the bank's Debt Management department.

Finally, the bank's analysis team notes that additional issue no. 20 has arisen as a result of inadequate tests and validations in connection with the implementation of the Agreement Calculator and in connection with the updating and maintenance of the two separate modules.

The bank's preliminary analyses show that a total of 38,407 customers are potentially affected by additional issue no. 20 because many customers are affected by more than one of the sub-issues described above. In the bank's assessment, the number of customers affected by the individual sub-issues may be summarised as follows:

- 20a: 34,699 customers are potentially affected.
- 20b: 23,623 customers are potentially affected.
- 20c: 365 customers are potentially affected.

We have discussed the preliminary identification of affected customers with the bank and have not found any reason to believe that the analyses carried out have not been suitable for identifying all affected customers. In this connection, it should be noted that the bank has proposed that additional analyses be carried out in connection with the calculation of compensation to ensure that all affected customers are identified.

9.4.20.2 The bank's preliminary analyses regarding compensation

In connection with its preliminary analyses, the bank has found that customers affected by sub-issues 20a and 20c may be entitled to compensation, as they may have been charged amounts that were not in accordance with the contractual basis between the customer and the bank. The bank expects that customers affected by issue 20c are also affected by issue 20a, and that they should therefore be compensated for the same error only once.

Similarly, customers affected by sub-issue 20b may be entitled to compensation in cases where the "APR" value in the contract documents was lower than the actual APR calculated on the basis of the added interest in the DCS. We agree with the bank's assessment that the bank may have to pay compensation to the bank's customers in connection with the issues mentioned above.

For customers affected by issue 20b, but where the APR value in the contract documents was higher than the actual APR, the bank finds that no compensation is payable. We agree with this point of view, but we have not yet made a final analyses of the matter, as the bank has not yet prepared a final compensation model for additional issue no. 20.

On the basis of a review of a number of representative samples, the bank has estimated in its analyses that compensation of approximately DKK 39 million is payable, as it is estimated that the average compensation amount will be DKK 4,235. In this connection, we note that the bank has stressed the fact that the amounts calculated are provisional and are still subject to considerable uncertainty at present and that the figures may therefore change both up and down.

We have not obtained insight into the method used for the random sample, and therefore, we have no reason to challenge the bank's estimates of total and average compensation amounts.

9.4.20.3 The bank's measures to stop the issue and inform customers

The bank believes that the errors identified have been "stopped" through the Pause logic, which is described in more detail in section 4.2, as customers no longer receive automatically generated contract documents from the Agreement Calculator and as interest rates are set at 0% for all cases in the DCS.

The bank has also assessed that prior corrections must be made to the Agreement Calculator and that the bank must evaluate the way it enters into new agreements with customers before debt collection is resumed. In the long term, the bank also believes that fundamental changes must be made to the DCS so that the calculation of interest is not based on different code bases in the DCS. Instead, the same code base must be used for calculating interest in all cases, i.e. the calculation is based on the same programme code.[8]

In addition, the bank's analysis team recommends that a number of preventive controls be carried out before restarting debt collection and that these controls should be made to prevent errors of a similar nature. The preventive controls serve to ensure that the changes implemented resolve the errors in the Agreement Calculator.

In addition, standard contract documents must be updated to ensure greater transparency in relation to the calculation of interest rates and the indication of interest rates, the method of adding interest and the total costs during the term of the repayment agreements.

We assess that the bank has effectively stopped the issue with the described Pause Logic.

As regards information provided to customers, the bank has stated that all affected customers must be informed, regardless of whether they are to be compensated or not. No information has been sent yet, as the bank plans to send information about issue no. 20 together with information about other additional issues.

9.4.21 Additional issue no. 21 – Deleted customers

At this stage, the bank has completed its initial analysis of additional issue no. 21 and has taken steps to remedy the issue and inform customers. The issue has thus passed Gate 1, see section 9.3 above.

[8] A code base is a collection of application libraries and their configuration, which has a given number of functions and a consistent structure.

9.4.21.1 Nature and scope of the issue

Additional issue no. 21 concerns 3,859 customers deleted in the DCS in the period 2004-2020, of which approximately 100 are stated as having been deleted in the period after 2016, when the bank's business procedures were changed (see below).

In the period 2004-2016, it was common practice for the bank to delete customers from the DCS when a customer had repaid his/her debt, including in particular from accounts with multiple debtors. The bank has stated that the reason for deleting such customers was that the bank considered a customer's case to be closed when a customer had repaid its debt. The bank has also stated that, in the bank's opinion, the deletion was made for the customers' sake. Further, the bank has stated that it was necessary to delete customers in order to avoid incorrect reporting to the Danish tax authorities from the banking system.

According to the bank, deletion from the DCS has not had any negative consequences for the customers and, according to the bank, there may be several valid reasons for deleting a customer. The bank's deletion of customers in the period 2004-2016 has, however, meant that the deleted customers have generally not been included in the bank's original analyses and processes for informing customers in relation to the four root causes and the additional issues nos. 1-19. The issue was discovered in that connection in November 2020 on the basis of a request from a customer who it turned out to have been deleted manually when the case was closed.

We have asked the bank to inform us whether there is a similar issue in the PF system. The bank has stated that it was/is not technically possible to delete customer data in the PF system and that the same issue therefore could not have arisen in the PF system. The issue therefore only concerns deleted customers in the DCS.

9.4.21.2 The bank's identification of scope and its information to affected customers

The bank has stated that, so far, additional issue no. 21 concerns 4,219 deletions. Among the 4,219 deletions, the bank has identified a total of 3,859 deleted customers in the DCS.

The list of deleted customers is based on customer data available in the DCS system's data warehouse, from which, according to the bank's information, historical data can be drawn from the DCS, even if it has been deleted in the debt collection system itself. However, customer data may also have been deleted from the data warehouse for the purpose of GDPR compliance, which means the bank cannot identify the customers in question.

In connection with the original analysis of December 2021, the bank stated that the 3,859 customers had been covered by the compensation process for the four root causes, but that the analysis was unable to confirm that all customers had received information letters from the bank. At a meeting held on 27 April 2022, the bank subsequently stated that the affected customers have now also received a conclusion letter in relation to the compensation paid. The letters state that the customer's case has been reviewed to determine whether the customer is entitled to compensation and that there may be additional errors in the customer's case that the bank has not yet identified and processed.

At the meeting, the bank also stated that the 3,859 deleted customers have generally been included in the analyses, communication and remediation in relation to the additional issues. However, the affected customers have not yet received all information letters in relation to additional issues, because the affected customers were not "discovered" until after the data used for the information letters regarding the additional issues had been selected and generated.

The bank has stated that it has initiated a process to send information letters to the affected customers regarding additional issues nos. 1-29. The bank expects to send out information letters in May 2022, but the exact date has not been disclosed to us.

The bank finds that there is no need to inform the affected customers specifically about additional issue no. 21, as deletion from the DCS has not had negative consequences for the customers, but was intentional. After its own investigations, the bank has thus not forgotten the customers in question in relation to the calculation and payment of compensation for the cases of overcollection identified (see immediately below).

9.4.21.3 The bank's measures to stop the issue

The bank has stated that the affected customers have been included in the processing of the four root causes and that information letters have been sent to the affected customers as described above.

The bank has also stated that the affected customers have been and will be included in the processing of the additional issues. This will be done by sourcing customer data about the deleted customers in the relevant IT systems.

In addition to the above measures, the bank has stated that it has launched initiatives to evaluate and update the bank's internal guidelines for the deletion of customer data.

9.4.21.4 The bank's preliminary analyses regarding compensation

In the bank's opinion, the 3,859 affected customers have not suffered any losses as a result of the deletion from the DCS. In addition, the bank believes that there is therefore no basis for paying compensation as a result of additional issue no. 21 (see above).

9.4.22 Additional issue no. 22 – Discrepancy between main account and term deposit account

Additional issue no. 22 is described in this report based on the bank's initial analysis (Fact Pack). The bank has not yet informed the potentially affected customers, and the issue has not passed Gate 1, see section 9.3.

9.4.22.1 Nature and scope of the issue

Additional issue no. 22 concerns approximately 22,000 cases involving discrepancies between so-called main accounts and so-called term deposit accounts for customers in the DCS. The issue consists of a number of sub-issues for which the bank had prepared an initial analysis at the time of our preparation of this report. The bank has not yet sent information to the affected customers, and for this reason, the bank has not yet passed Gate 1 described in section 9.3 above.

In practice, the discrepancies are caused by a customer defaulting on its bank loan (in the bank's FEBOS system), after which the customer is set up with a main account in the DCS. When the customer becomes able to pay off on its debt, the customer typically enters into a payment agreement, and a term deposit account is created. Today, the practice is that the main account should tally with the term deposit account for normal payment agreements, but that is not always the case. Previously, according to information received, the practice was for the two accounts to tally, as long as the settlement agreement was active. At the time, the main account was only to be matched to the term deposit account if the agreement had been breached.

To the extent the customer makes payments in accordance with the payment agreement entered into, the payments will be credited to the term deposit account. In a number of cases, the use of the main account and the term deposit account has led to a discrepancy between the two accounts, which is reflected in the following sub-issues.

- Sub-issue 22a1: The issue covers cases where a higher interest rate has been agreed or accepted for the term deposit account than for the main account. This includes situations where the interest rate

on the main account is subsequently aligned with the term deposit account and situations where this is not the case, and in both cases this is a financial disadvantage for the customer.

- Sub-issue 22a2: A lower interest rate has been agreed for the term deposit account than for the main account. This will only be an issue for the customer if the payment agreement is breached, as there are cases in which the bank subsequently (erroneously, because the bank has not explicitly stated in the agreement document that this would be done retroactively) will charge the original main account interest for the entire period, i.e. also for the period in which the customer complied with the payment agreement at an agreed lower interest rate.

- Sub-issue 22b: In situations where a higher calculation of interest has been agreed for the term deposit account than for the main account, the customer's interest payments under the payment agreement (the term deposit account) are not registered correctly in the main account. As a result, the excess interest payment relative to the main account will not be repaid on the principal or paid to the customer. In the system, the excess interest payments will thus "disappear", which may become an issue for the customer if the customer breaches the payment agreement and "falls back" on the main account.

- Sub-issue 22c: In situations where a new (other) interest rate is agreed for the term deposit account than for the main account, the interest rate change takes effect one day later on the main account than on the term deposit account, which means one day's difference in the interest calculation.

- Sub-issue 22d: When an out-of-court settlement is made, but the settlement is not accepted by the customer, the interest accrual is not changed simultaneously in the main account and in the term deposit account, which causes discrepancies in the interest accruing on the two accounts. According to information received, sub-issue 22d does not adversely affect customers in the sense that they will pay too much interest.

The bank has stated that a total of 22,249 affected customers have been identified. On the basis of available data, however, the bank has experienced considerable difficulties in drawing up a precise distribution of the affected customers, but the bank has provided the following preliminary figures:

- Sub-issue 22a1: 4,408 customers are potentially affected.
- Sub-issue 22a2: 8,258 customers are potentially affected.
- Sub-issue 22b: 3,919 customers are potentially affected.
- Sub-issue 22x: 11,035 customers have been allocated to other categories but cannot yet be placed.

9.4.22.2 The bank's preliminary analyses regarding compensation

The bank has provisionally estimated that a set-off is to be made in the customers' favour totalling approximately DKK 53 million. In addition, the bank estimates that compensation for overcollection totalling approximately DKK 9 million is payable. In this connection, we note that the bank has stressed the fact that the amounts calculated are provisional and are still subject to considerable uncertainty at present and that the figures may therefore change both up and down.

The bank therefore proposes that customers who have suffered a financial loss be compensated for sub-issues 22a1, 22a2, 22b and 22c.

These are only preliminary estimates, and the bank has not yet provided us with a calculation model that explains how the individual customer's compensation should be calculated and on what data basis the calculation should be made.

9.4.22.3 The bank's measures to stop the issue and inform customers

The bank believes that the issue has been stopped in connection with the implementation of the general extended Pause logic. The interest rate is currently set at 0% in all cases in the DCS, and customers have been informed that continued payments are voluntary and involve a risk of overcollection, see section 4.2.2 above.

The bank has also assessed that the affected customers must be informed, but according to information received, this has not yet happened because the bank is waiting to include information about more additional issues in a single letter. The bank expects to send initial information to all affected customers at the end of May 2022, see section 5.2.1 above.

9.4.23 Additional issue no. 23 – Incorrect reporting of debt cancellation code to the Danish tax authorities

Additional issue no. 23 was not described in detail in our report of 31 October 2021, since the bank had not made an initial analysis of this issue at the time. Prior to the preparation of this report, the bank has drawn up an initial analysis (Fact Pack). However, the bank has not yet taken any steps to stop the issue in relation to tax reporting, and the issue has therefore not yet passed Gate 1 described above in section 9.3.

9.4.23.1 Nature and scope of the issue

Additional issue no. 23 concerns errors arising in connection with the bank's reporting of customers' debt to the Danish tax authorities.

As described in section 9.4.11 of our report of 31 October 2021, in connection with our examination of additional issue no. 11, the bank has an obligation to report information annually to the Danish tax authorities about customers who have debt with the bank, including the outstanding debt of customers at 31 December and interest added.

Interest added or due is reported in order for the Danish tax authorities to be able to pre-print tax-deductible interest in the customer's tax assessment notice and for control purposes, etc.

In this connection, the bank also has an obligation to report whether cancellation of debt has taken place in the income year in question and, if so, along with a debt cancellation code if debt has been cancelled in the income year in question. The reason is that cancellation of debt may result in a corresponding reduction of the customer's interest rate deductibility pursuant to section 5(9) of the Danish Tax Assessment Act[3].

Additional issue no. 23 concerns the fact that the bank has found that in some cases incorrect debt cancellation codes may have been systematically reported.

The reporting system of the tax authorities works in the way that, in the event a debt is cancelled, the bank must report a debt cancellation code in connection with the annual reporting of customer's interest.

The bank is required to report one type of code if a cancellation has taken place as part of a public cancellation of debt, while another type of code must be used if a cancellation has taken place under a private agreement. In the event of a cancellation of a debt that has already been partially waived, the bank must report a third code, and if a waiver is cancelled as a result of the customer's breach of the terms of the waiver, the bank must report a special code for this. Finally, if no cancellation of debt has taken place, a related code or a blank field must be reported.

The bank originally completed its initial analysis (Fact Pack) in September 2021. In this connection, the bank concluded that, in some 1,600 cases, it had erroneously reported information that a private cancellation of debt had taken place. However, it should have reported that no cancellation had taken place. The reason for this was that the bank had only reduced the customer's interest rate with prospective effect, and on the basis of the bank's approach to the issue at the time this was not deemed to constitute a waiver in relation to reporting of added interest to the Danish tax authorities.

The handling of additional issue no. 23 has subsequently been handed over to a "follow-up team", which, on the basis of an analysis from March 2022, has assessed that the bank's practices at the time were incorrect.

In the most recent analysis, the bank has thus concluded that, in the period 2018-2021, the bank reported an incorrect debt cancellation code in approximately 600,000 reports, which involve approximately 112,000 customers, as the bank now believes that a private cancellation debt code *should* have been reported. The reason is that the bank, assisted by an external adviser, has assessed that a change in the customer's circumstances, including, for example, a change in the customer's interest terms, constitutes a repayment in full of the original loan and the establishment of a new loan, and, according to the bank's new analysis, this situation constitutes a cancellation of debt. The bank therefore finds that a debt cancellation code for private cancellation of debt must be reported.

In this connection, we note that the external legal advice that has been shared with us is only available in draft form. The assessment by the external adviser states, among other things, that a significant change of the terms of a loan *may* result in the borrower being subject to tax pursuant to the Danish Capital Gains Act[4]. We have not had the opportunity to make an independent assessment of the matter within the scope of this report. However, it is not clear to us whether, in the cases mentioned, the bank will actually have an obligation to report information about a debt cancellation in connection with reporting information on interest on loans, see section 13(2)(iv) of the Danish Tax Reporting Act.

In this connection, we also note that, since 21 December 2018, it has been explicitly stated in the Danish tax authorities' reporting guidelines[9] that the reduction of interest rates or a resetting of interest addition is not considered a private cancellation of debt in connection with the reporting and is therefore not to be reported as such.

We also understand in this connection that the bank has planned to initiate a dialogue with the Danish tax authorities in autumn 2022 on the bank's reporting practices. In this regard, we have noted that the bank will not make a final decision until *after* this dialogue has been concluded about whether a correction report is to be made for the affected customers and whether the bank is henceforth to report cancellation of debt if, for example, new interest terms are agreed with the customer.

[9] Se the Danish tax authorities' reporting guidelines on loans, year-end 2011 "Indberetningsvejledning om Udlån årsultimo 2021", section 4.7: "*Reduction of interest rates, resetting of interest addition or write-off of time-barred interest rates is not considered a private cancellation of debt in connection with loan reporting*".

As regards the scope of the issue, we note that the bank's preliminary analysis (Fact Pack) shows that registrations with a debt cancellation code relating to public cancellation of debt are not included in the analysis.

In addition, the preliminary analysis does not include the bank's use of so-called "arrears flagging", which is a flagging used to indicate whether the customer has unpaid interest for previous income years, as that may affect the customer's right of deductibility.

Finally, the bank's reporting of debt cancellation codes in the bank's other debt collection system, PF, is not addressed in the bank's most recent analysis.

In our further work, we will follow up on whether the bank has also identified whether errors have occurred in relation to these issues that have not been covered. We will also return with a further description of the bank's conclusions once the planned dialogue with the Danish tax authorities has been completed.

9.4.23.2 The bank's preliminary analyses regarding compensation

In its preliminary analysis of March 2022, the bank concluded that the customers are not entitled to compensation because, in the bank's opinion, the customers did not incur a financial loss.

The bank has stated that the debt cancellation code is used only as a search criterion in connection with verification by the Danish tax authorities and that the debt cancellation code will not in itself lead to the customer obtaining an incorrect interest rate deductibility. According to information received from the bank, the code has no impact on the interest pre-printed on the customer's tax assessment notice. We have not independently verified this information.

The material submitted shows that a debt cancellation code that has been incorrectly reported only affects the text stated in the customer's tax assessment notice and the search made by the Danish tax authorities for citizens whose tax assessment notice may have to be processed by manual control.

We have not conducted an independent legal investigation of the matter but note that the bank's external legal adviser has emphasised in a draft memorandum to the bank that the bank's customers *may* suffer losses if the Danish tax authorities actually assume that cancellation of debt has taken place, even if that is not the case. We will follow up on the bank's assessment of whether this risk is relevant and should be investigated further.

9.4.23.3 The bank's measures to stop the issue and inform customers

According to information received, the bank has not at the present time changed its practice for registering debt cancellation codes. In this connection, we note that the reporting for the 2022 income year must be made by 20 January 2023 at the latest.

The bank has not yet decided whether it will file a correction report for previous income years and thus correct the potentially erroneous reporting. According to information received, the bank is awaiting further dialogue with the Danish tax authorities on the framework for future reporting and on corrections concerning prior income years.

As regards informing customers, the bank has at this time decided not to do so. In this connection, the bank has emphasised, among other things, that the affected customers have not incurred any losses as a result of the incorrect reporting (see above).

In this regard, we note that it is clear from the Danish tax authorities' reporting guidelines that errors in approved reporting must be corrected immediately after the error has been detected. It also appears from the reporting guidelines that the entity under a duty to report must inform its customers if corrections are made after March of the year following the income year for which reporting is made.

We will follow up on this issue with the bank when the bank's dialogue with the Danish tax authorities has revealed how the reporting is actually to be made. In this connection, we will also follow up on whether the bank has an obligation to inform customers, including in accordance with general rules on good practice, personal data rules or the Danish FSA's order of 21 September 2020. In our immediate opinion, the bank *should* at least inform customers for whom incorrect information has been reported to the Danish tax authorities, and this information *should* be sent to the customer not later than the time when the bank corrects the error. Furthermore, it is our immediate opinion that this does not change just because the reporting of an incorrect code or a subsequent correction of the code does not directly affect the amounts that have been pre-printed on the customer's tax assessment notice and, in the opinion of the bank, it is not likely that the Danish tax authorities will use the adjusted information in connection with the tax assessment of the affected customers.

9.4.24 Additional issue no. 24 – Lack of advice on interest type changes

Additional issue no. 24 is described in this report based on the bank's initial analysis (Fact Pack). The bank has not yet informed the potentially affected customers about the issue, and the issue has therefore not passed Gate 1, see section 9.3.

9.4.24.1 Nature and scope of the issue

The issue concerns the bank's lack of or inadequate advice to customers who, in the period 2004-2021 in connection with the conclusion of settlements or payment agreements with the bank, agreed to changes to the then existing interest terms. In this connection, the issue specifically covers situations where the customer has agreed with the bank that the customer should move from simple interest to compound interest or vice versa, and where this has proved to be to the customer's disadvantage.

According to the bank's analysis, the bank had provided inadequate advice to customers whose interest terms had changed, as customers were not adequately informed about the consequences of switching between the different interest rate types, because focus was exclusively on the interest rate. For some customers, this meant the change in interest type made the overall arrangement more expensive for the customer, and this had not been clearly communicated by the bank.

Moreover, the bank points out that, in the period from 2004 to 2012, in some cases, it recommended customers to switch to simple interest at a higher rate. However, this was never implemented because such interest could not be calculated in the DCS during this period, see also the description below in section 9.4.27 on additional issue no. 27. Another example concerns a lack of understanding of the composition of the basis for calculating interest because the advisers recommended a change in interest type, although this actually meant that, going forward, the interest rate would be calculated on the basis of an increased interest calculation basis.

In its investigation, the bank also emphasises that the bank's lack of or inadequate advice to customers was due to a number of different factors, such as high complexity in the DCS, a large number of different interest rate types, inadequate training of the bank's advisers and a lack of adequate process guidelines. The bank has also emphasised that there is no indication that the advisers have deliberately misled customers. The advisers' intention was to give customers a more advantageous interest rate, which for the reasons stated above did not materialise.

Against the background set out above, the bank concludes that the lack of or inadequate advice during the period from 2004 to 2021 often had the effect that a change of interest type had unfavourable financial consequences for the customers. In its analysis, the bank emphasises that a number of random samples have shown that there is no indication that the issue may have arisen before 2004.

9.4.24.2 The bank's preliminary analyses regarding compensation

In its analysis, the bank estimates that the issue may affect a total of 11,991 customers, and that these customers may potentially be entitled to compensation or to adjustment of the balance of any outstanding

debt. With respect to the bank's estimates of the number of affected customers, it is noted that some customers may have been affected several times by the issue depending on the number of interest type changes that the customer agreed with the bank in the period 2004-2021.

The bank's estimate of the number of potentially affected customers is based on a search of all the interest type changes made during the period.

It should also be noted that, according to the information in its investigation, the bank has only searched for customers for whom an interest type change *has* been made. This also means that some customers may have received inadequate advice on changing interest rates in connection with their conclusion of agreements with the bank, but in which situation the customer did not avail themselves of an offer to change the interest rate type, even if this would have been advantageous. In this connection, the bank finds that it does not have data to enable the bank to search for customers who have received such inadequate advice and that the bank thus does not consider it possible to compensate customers for such potential errors.

In addition, the bank has stated that it has limited the group of potentially affected customers by separating off two customer groups:

- customers changing from a higher interest rate to a fixed interest rate of 0%; and

- customers whose interest type change takes place in connection with a breach of a payment agreement where the customer "falls back" to the original terms of the main account.

On the basis of the material submitted, we understand that the bank separates off these customer groups, as, in the bank's opinion, the customers should not in such situations be entitled to compensation as a result of the interest type change.

On the basis of the material submitted, we also understand that the bank originally also separated off a third customer group for customers who had changed from compound interest at a higher nominal interest rate to a simple interest rate at a lower nominal interest rate. These customers are therefore not addressed in the bank's initial analysis and are thus not included in the estimates for the number of potentially affected customers. The bank states that a supplement to the initial analysis is created to cover these customers. On 24 May 2022, the bank also stated that it had identified additional customers not addressed in the bank's initial analysis. According to the bank, these are customers who, when they were set up in the debt collection system, had an interest rate of 0% during an "interim period" before subsequently changing to the "pre-judgement interest rate". According to information received, the bank will also include these customers in the bank's supplement to its initial analysis.

The bank has not yet prepared a compensation model for the potentially affected customers, and we have therefore not taken a position on this in this report.

9.4.24.3 The bank's measures to stop the issue and inform customers

The bank has stated that the affected customers are all covered by the extended Pause logic (see section 4.2 above). This will prevent the risk that the bank's customers will prospectively be charged too much interest or that overcollection takes place in relation to the total debt.

The permanent solution to the issue requires the implementation of a number of system adjustments and improvements to the bank's business procedures and controls, etc. The bank has not yet presented us with details of these measures.

The bank expects to send information letters to the potentially affected customers at the end of May 2022. The letters have not yet been sent because, as described above in section 5.2, the bank wants to include information about more additional issues in one letter.

9.4.25 Additional issue no. 25 – Costs aggregated with the principal

Additional issue no. 25 has currently passed Gate 1, see section 9.3 above, since, prior to the preparation of this report, the bank has conducted an initial analysis leading it to assess that there is no need to inform the bank's customers about the issue. In the light of its analysis, the bank has also assessed that the issue has not given rise to an obligation for the bank to compensate the affected customers (Gate 2). However, we understand that the bank's conclusion in this regard is subject to uncertainty (see section 9.4.25.3 below). We will therefore follow up on the matter in a subsequent report.

9.4.25.1 Nature and scope of the issue

Additional issue no. 25 concerns cases regarding debt collection from business customers, where the bank has identified a number of different types of costs that, in connection with booking of costs to the customer's file in the DCS, have been or may have been aggregated with the principal of the debt.

Firstly, the booking of the costs on the customer's case in the DCS entails a risk of wrongful collection. It thus depends on the type of cost, the contractual basis with the customer and the circumstances in general whether the cost can be charged to the customer.

Secondly, aggregating the principal and the cost involves a risk that the bank will wrongfully charge interest on the costs or that interest rates are not calculated on the correct basis.

Finally, the aggregation involves the risk that the bank will collect time-barred amounts because, on aggregation, the costs are recorded with the limitation date registered for the principal.

Additional issue no. 25 arises from the investigations made in connection with the analysis of additional issue no. 9, which concerned potentially incorrect aggregation of principal and legal costs, see section 9.4.9 of our report of 31 October 2021.

The bank has taken steps to stop the issue, which in the bank's opinion entailed that there was no risk of the error deteriorating or of wrongful debt collection or overcollection, because the bank had temporarily chosen not to book the relevant costs to the customers' accounts. Instead, the bank has booked the costs on an internal account with the bank. According to information received, the bank cancelled this measure again on 12 May 2022, concluding that the previous practice did not involve a risk of overcollection.

Accordingly, the bank's overall conclusion is that no errors have been made which require compensation to the bank's customers or necessitate informing the customers. According to the bank's own assessment, it was thus possible to charge the costs (i.e. to customers), and for interest to accrue on the costs in the same way as the principal. Finally, the bank has found that, with respect to time-barring, it was possible to treat the costs in the same way as the principal.

In the following, we start by describing our understanding of the bank's process for identifying the types of costs covered by the issue. Next, we provide the bank's assessment and our preliminary comments.

9.4.25.2 Identification of cost types in additional issue no. 25

The bank has identified a number of different types of costs that have been aggregated with the principal of the debt. The bank has identified these types of costs by initially identifying all entries made in balance type 3 (principal)[10] in the period 2004-2021, where the entry is accompanied by a free text written by an employee of the bank in connection with the booking of the cost ("bookkeeping text"). According to information received from the bank, there are no data available that would make it possible to check whether the issue existed before 2004.

[10] In the DCS, entries can take be made as six different types of balance, of which balance type 1 includes, for example, legal costs, balance type 2 contains interest and fees incurred while the account has been registered in other IT systems, while balance type 3 contains the principal of the debt.

In this way, the bank has identified 18,706 entries, of which the bank has analysed 10,595 entries (57%) in order to determine which cost types have been registered together with the principal.

On the basis of this review, the bank has established a number of different types of cost that in these cases have turned out to have been aggregated with the principal in the DCS. According to the analysis, the types of cost include the following:

1. Costs for the handling and realisation of mortgaged assets
2. Costs for advisory services from lawyers, accountants and consultants
3. Collateralisation costs in connection with petitions for bankruptcy
4. Registration fees etc.
6. Court fees and charges
7. Avoidance claims for reduction of the loan in question, established by a judgment
7. Settlement concerning avoidance claims regarding the loan in question
8. Service charges
9. Payments to the Danish Growth Fund (*addressed in additional issue no. 26*)
10. Debt collection costs (*according to the bank, costs of this type have been booked as part of the principal in a few cases or due to an ordinary operational error. The bank states that the error entries have been handled manually in the cases found).*
11. Legal costs awarded by the court (*according to the bank, costs of this type are booked as part of the principal due to an ordinary operational error. The bank states that the error entries have been handled manually in the few cases found).*
12. Interest (*according to the bank, costs of this type are booked as part of the principal due to an ordinary operational error. The bank states that the error entries have been handled manually in the few cases found).*
13. Other costs (*according to the bank, costs of this type should have been booked to cost type nos. 1-8 or registered as corrections to the principal, and the bank therefore finds that these are solitary operational errors*).

Other than the cost types identified, the bank cannot rule out the existence of other cost types which have not been found in the above analysis of 57% of the entries, for example because the bank, prior to the removal of the entries, eliminated expense entries without a bookkeeping text and because, by its very nature, examination of the 57% of entries does not provide complete assurance that all types of cost have been identified. However, the bank classifies this risk as low because the investigation was relatively extensive and the result was subsequently reviewed by key persons in the bank who were unable to refer to other types of expenses.

We believe that, as indicated above, there is some uncertainty with respect to costs booked without an accompanying bookkeeping text. Therefore, it cannot be ruled out that costs other than the identified types have been booked and aggregated with the principal in the DCS, but we agree that the existence of such costs must generally be considered to be low.

9.4.25.3 The bank's assessment

In summary, we understand that, mainly on the basis of its terms and conditions, it is the bank's conclusion that

i. the bank's collection of the processed costs from customers' accounts is justified and, consequently,
ii. the bank's charging of interest on the costs and registration of a limitation date corresponding to that for the principal are also justified.

Accordingly, the bank finds that the aggregation of the principal with the identified cost types does not constitute an issue that may have resulted in overcollection and a resulting claim for compensation from the bank's customers. However, the bank acknowledges that the conclusion is subject to uncertainty for certain types of cost.

We have not verified whether the terms and conditions are in all cases validly agreed with the customers, i.e. approved. Moreover, we have not considered whether the bank has in all cases made the assessment on the basis of the terms and conditions in force at the time the costs were incurred and recognised, and at the present time we have generally not made any final conclusions about the bank's legal assessments of the time-barring of costs.

On 18 May 2022, we asked the bank a number of questions regarding its initial analysis. When we have had the opportunity to review the bank's answers to these questions, we will revert with any comments on the bank's conclusion that the issue has not resulted in a risk of overcollection.

9.4.26 Additional issue no. 26 – Errors in connection with registration of guarantors

Additional issue no. 26 was not described in our report of 31 October 2021 because the bank had not made an initial analysis at the time. The bank has subsequently performed its initial analysis of the issue, but the bank has not yet informed the customers affected. Accordingly, the issue has not passed Gate 1 described above in section 9.3.

9.4.26.1 General information about the issue

According to the bank, additional issue no. 26 covers three underlying issues, all of which relate to guarantors. The issues are as follows:

No. 26a: Incorrect re-registration of guarantors as debtors in the DCS
No. 26b: Error in connection with writing off debt in cases where the Danish Growth Fund is a guarantor
No. 26c: Incorrect registration of limited guarantees

The three issues arise from notably different situations, and they are therefore examined separately in the following sections.

In its initial analysis, the bank has identified four additional issues that are expected to be analysed as part of additional issue no. 26. These are listed below, but the bank notes that no specific cases have yet been identified in relation to issues nos. 26e and 26f. However, these will be investigated further by the bank.

No. 26c (2): Incorrect registration of guarantee in cases with multiple loans
No. 26d: The PF system automatically reports the guarantee as debt to the Danish tax authorities
No. 26e: Incorrect debt collection from the guarantor after the debtor has honoured a composition agreement
No. 26f: Guarantees that ought to be written off over time are incorrectly registered in the full guarantee amount

Sub-issues 26c(2), 26e and 26f are still being analysed by the bank, and for the purpose of this report we have not received the final analyses. As a result, the issues will not be addressed in detail in this report. However, the bank has stated that, as at 24 May 2022, there have been no cases in which issues 26e or 26f have been confirmed as actual issues.

On 11 May 2022, we received a more detailed description of sub-issue 26d. However, given the time of receipt of this material, we have not yet had the opportunity to follow up on the matter. Sub-issue 26d will therefore not be addressed further in this report, but we will revert to the sub-issue in connection with our further work.

9.4.26.2 Issue 26a – Incorrect 're-registration' of guarantors as debtors in the DCS

Issue no. 26a concerns the bank's handling of guarantors in cases where the principal debtor has ceased to exist (for example, if the debtor has died). In such cases, the guarantor in the DCS system had until the spring of 2020 been manually 're-registered' from being a guarantor to being a debtor.

As a result, guarantors in the DCS may incorrectly be listed as debtors if the original debtor has ceased to exist. The bank has assessed that the matter may have led to incorrect tax reporting, as outstanding debt and interest thereon will have been reported by the bank for the guarantor contrary to the Danish tax authorities' reporting guidelines in force at the time.

According to the bank, the issue has existed since the DCS was put into operation in 2004 and is due to the fact that the DCS is linked with the banking system from which tax reporting is made. In this connection, the banking system does not support the possibility of only having a guarantor registered because, for technical reasons, one person responsible for tax reporting must be registered in the banking system. In this connection, a guarantor is not considered by the system to be responsible for reporting.

In the spring of 2020, the bank sought to address the issue as the bank has subsequently maintained the discontinued debtor who is liable for the account. However, the bank does not consider this change to be sufficient (see below regarding the bank's measures to stop the issue).

9.4.26.2.1 The bank's identification of scope and its information to affected customers

In its preliminary analysis (Fact Pack), the bank stated that 3,945 cases may potentially be affected by additional issue 26a. According to information received, the bank has identified a total of 5,299 customers across the affected cases.

The bank states that the customers (guarantors) who may be affected by the issue will be informed thereof and that letters are expected to be submitted at the end of May. In this connection, the bank expects to provide information about several of the other issues in the letters to the affected customers (see section 5).

9.4.26.2.2 The bank's measures to stop the issue

As mentioned previously, in the spring of 2020, the bank sought to address the issue as the bank has maintained the discontinued debtor who is liable for the account. However, this means discontinued debtors are still registered as existing customers and that the bank therefore has filed reports to the Danish tax authorities for natural or legal persons who no longer exist. However, the bank finds that the solution

does not cause other detriment to the customers, as these reports are returned to the bank from the Danish tax authorities for correction.

In January 2022, the Danish tax authorities updated the reporting guidelines to the effect that, from the income year 2021, the guarantor must be reported when the guarantor becomes liable under the guarantee obligation because the principal debtor has ceased to exist as a result of, for example, debt relief or having died.

According to information received, the bank is in dialogue with the Danish tax authorities regarding the new reporting guidelines and the criteria that must be met for the bank to report on the guarantor. The bank is therefore considering whether it will be possible, on the basis of the revised guidelines, to re-register the guarantor as a debtor, but to flag the status as guarantor on the case. However, the bank awaits the outcome of the dialogue with the Danish tax authorities.

In our investigations, we will revert to this matter when the bank has made a final decision on future reporting solutions.

9.4.26.2.3 The bank's preliminary analyses regarding compensation

The bank does not find that additional issue no. 26a entails a risk of overcollection of the bank's customers or of guarantors.

The bank will compensate the guarantors concerned for any indirect losses that the incorrect tax reporting has caused. In this connection, we refer to our report of 31 October 2021, in which we described the bank's approach to indirect losses in section 7.9.

9.4.26.3 Issue 26b – Error in connection with writing off debt in cases where the Danish Growth Fund is a guarantor

Issue no. 26b concerns incorrect registration of customers' debt to the Danish Growth Fund in cases where the Danish Growth Fund has provided a guarantee for the loan in default.

In such cases, it follows from the terms of the guarantee agreement with the Danish Growth Fund that the bank, on behalf of the Danish Growth Fund, must collect the guarantee payment from the customer. However, the bank has found that, in connection with the Danish Growth Fund's payment under the guarantee, the customer's debt is written down, as a result of which only the remaining part of the loan is registered in the DCS. This means that the bank will start collecting the debt in the DCS on the basis of an amount corresponding solely to the outstanding debt owed to the bank. As the Danish Growth

Fund's guarantee covers up to 75% of the debt, the customer may appear to be debt free in the DCS after paying only 25% of the actual debt to the bank and the Danish Growth Fund, respectively. The issue thus leads to insufficient debt collection for both the Danish Growth Fund and the bank itself.

According to the bank, the issue may also have led to incorrect reporting to the Danish tax authorities and a risk of incorrect interest deduction for the debtor because the debt registered in the DCS was too low.

9.4.26.3.1 The bank's identification of scope and its information to affected customers

According to the bank, 159 cases involving the Danish Growth Fund's guarantees and claims for compensation have been identified. It should be noted, however, that, according to the bank, the search methods used involve some degree of uncertainty, and the number of affected cases may change when more precise searches have been made. The bank states that it is in dialogue with the Danish Growth Fund on the matter.

The bank states that it plans to inform customers whose cases have been affected by the issue, but that this will be handled on a case-by-case basis based on a specific assessment of the impact the issue has on the customer. In this connection, the bank does not expect that its customers will have suffered a loss as a result of the issue, as the issue, as stated above, will have resulted in the customer being registered with too little debt in the debt collection system.

9.4.26.3.2 The bank's measures to stop the issue

According to the bank's own analyses, the bank has charged less from the customer than it was entitled to and, therefore, the bank does not find that there is a risk of overcollection of customers as a result of additional issue no. 26b (see immediately below). In this connection, therefore, the bank has not implemented measures to stop the issue, but we understand that the bank is considering possible solutions to ensure that in future the full amount is correctly collected to the bank and the Danish Growth Fund.

At present, some customers have opted to continue their payments despite the Pause logic described above in section 4.2.1. In this connection, the bank's analyses show that it has been considered whether the bank may temporarily omit sending confirmation letters to the customers when the incorrectly registered too little outstanding debt has been paid. We note that such a solution could potentially make it difficult for the customers in question to determine when the debt has been fully repaid.

In this connection, the bank does not appear to have taken a final stand in its preliminary analysis on whether the bank in future will (and is entitled to) continue debt collection with customers who have

currently paid the part of the debt originally registered in the DCS or on the importance of potentially sending annual letters and confirmation letters in this regard. In this report, we thus cannot make a final statement on the bank's approach in this regard, and we will therefore follow up on the matter in the further analyses.

9.4.26.3.3 The bank's preliminary analyses regarding compensation

According to the bank, there is no risk of customers having been overcollected due to additional issue no. 26b. In relation to the Danish Growth Fund, we note that the bank is in dialogue with the Danish Growth Fund regarding the issue and any outstanding matters between the Danish Growth Fund and the bank in this connection. We will revert to this if the solutions in this regard could potentially affect the bank's customers.

9.4.26.4 Additional issue 26c – Incorrect registration of limited guarantees

Additional issue 26c concerns the issue that the DCS or the PF debt collection system do not have functionality that allows proper registration of limited guarantees when the case is created in the system.

In the DCS, a limited guarantee will automatically be registered as a full guarantee (100% of the debt) unless the guarantee is manually adjusted in the systems. According to the bank, the issue has been regularly addressed by a case officer writing down the guarantee amount manually to reflect the correct amount of the guarantee. In this connection, the bank has stated that, in the opinion of the bank, the case handlers are familiar with and handle the issue correctly, but that the procedure has not been formalised in guidelines or the like. The bank also states that the cases that have been incorrectly created and must therefore be adjusted manually are detected randomly and are difficult to identify in a systematic search.

In the PF system, all cases are handled manually when they are created, but it is not possible to register a limited guarantee to make the total debt picture appear correct. According to information received, the case officer instead divides the debt between the debtor and the guarantor. If, for example, the guarantor guarantees 20% of a debt, the debtor will be registered as the debtor for 80% of the debt, while the guarantor will be registered separately for the remaining 20% of the debt. Accordingly, it will not appear that the debtor is liable for the entire debt (100%), and the debtor's payments will not affect the debt registered to the guarantor. As is the case with the DCS, this procedure has not been described in the bank in a guideline or a standard operating procedure.

In the DCS, the issue may involve a risk that too high an amount is collected from the guarantor, if the manual adjustment is not carried out. However, the bank considers this risk to be very limited, since, in

the opinion of the bank, the necessary adjustments are made on an ongoing basis when the bank's customer (debtor) actually pays off the debt.

In the PF, the issue may result in too small an amount being charged to the debtor, as the debtor is not registered for the entire debt. For the guarantor, the issue in the PF means that the debtor's payments are not reflected in the guarantor's debt to the bank, which entails a risk of incorrect collection. The issue also leads to incorrect tax reporting and incorrect interest deductions.

9.4.26.4.1 The bank's identification of scope and its information to affected customers

The bank's analysis estimates that approximately 10,400 customers in the DCS and 1,200 customers in the PF system could potentially be affected by issue 26c. However, based on interviews with experienced case officers with the bank, the bank believes that the number of customers for whom the inappropriate/incorrect registrations have actually led to overcollection is likely to be significantly lower. The bank is still analysing this matter.

The bank states that the customers and guarantors who may be affected by the issue will be informed thereof and that letters are expected to be sent out at the end of May. In this connection, the bank expects to provide information about several of the other issues in the letters to the affected customers (see section 5).

9.4.26.4.2 The bank's measures to stop the issue

As described above, according to information received, the bank will in both the DCS and the PF make a manual adjustment to ensure that the guarantor is not registered for an amount greater than the amount for which the guarantor was liable when the case was opened. In the DCS, the case is adjusted by writing down the guarantee amount to reflect the correct guarantee amount. In the PF system, the debt is still broken down (incorrectly) so that the debtor and the guarantor are registered for separate shares of the debt (see example above).

The bank finds that such manual adjustments serve as temporary measures to prevent errors in the bank's handling of the cases in the DCS and the PF. However, we note that this requires that manual adjustments are carried out consistently and on an ongoing basis.

However, the bank also notes that the Pause logic generally ensures that no debt collection action is taken against the bank's customers if it may result in a risk of overcollection. Based on information provided by the bank, however, we cannot at present rule out that a proportion of the customers may be at risk of overcollection *if*, despite the Pause logic, the customer chooses to continue its payments. However, we

agree with the bank that the Pause logic and the bank's information to customers about the risk of errors overall will entail that the associated risk can be considered immaterial.

It is our understanding that the issue still causes incorrect reporting to be made to the Danish tax authorities.

We note that, according to information received, the bank is working on a more extensive system change in both the DCS and the PF systems in order to ensure that, in future, guarantors are managed correctly. However, we have not seen an overall timetable for this.

9.4.26.4.3 The bank's preliminary analyses regarding compensation

The bank has assessed that there may be a risk of overcollection of guarantors if the case has not been manually corrected, as the bank may have charged 100% of the debt from the guarantor. In these cases, the bank will compensate guarantors who have been overcollected. However, the bank notes that the risk is generally expected to be extremely limited, as the guarantor is expected to have objected to the incorrect claim.

The bank also states that it will grant compensation if the bank's customers receive claims from the Danish tax authorities as a result of the reversal of previously obtained incorrect tax credits. The bank will also compensate customers in the PF system who may have been given interest deductions that were too low. In addition, the bank will compensate the guarantors concerned for any indirect losses that the incorrect tax reporting has caused. In this connection, we refer to our report of 31 October 2021, in which we described the bank's approach to indirect losses in section 7.9.

The bank's analyses concerning compensation of its customers and its approach in the matter are not seen to have been completed, so we cannot express an opinion on this in this report.

9.4.27 Additional issue no. 27 – Accrual of compound interest on statutory interest

Additional issue no. 27 is described in this report based on the bank's initial analysis (Fact Pack). On 18 May 2022, the bank informed us that it will reconsider its previous conclusion on the issue and seek external advice in the process. The issue has thus presently not passed Gate 1, see section 9.3 above.

9.4.27.1 Nature and scope of the issue

The issue concerns the matter of whether the bank has been entitled to calculate compound interest on the debt of a number of customers, while the debt was registered for collection in the DCS. According to

information received, the bank's investigation covered the specific cases in the DCS in which the bank has calculated and added interest at a rate designated internally as the "pre-judgement interest rate".

In this regard, we note that, according to information received, in other cases in the DCS the bank calculates and adds interest on customers' debt at rates of interest other than those designated by the bank as "pre-judgement interest". We have not received any information about whether the bank is currently investigating or is planning to investigate whether the bank has been entitled to charge compound interest on its customers' debt in these cases. We will follow up on the matter with the bank.

The right to charge interest is governed by Danish law in the Danish Interest Act (Consolidated Act no. 459 of 13 May 2014). In legal literature, it is generally assumed that interest under the Danish Interest Act is a simple interest rate, i.e. that no compound interest is calculated. Derogating from this rule requires a specific agreement, custom or industry practice.

The DCS has been developed to calculate interest on the interest accrued on a regular basis, i.e. compound interest. Thus, the DCS originally did not include the functionality to calculate simple interest, i.e. a functionality that allows the system to only calculate interest on the principal of the claim.

According to information received, the bank has consequently, during the period from the commissioning of the DCS in 2004 until 2012, calculated compound interest on the debt of potentially 15,717 customers in the DCS at the rate of interest that the bank has internally designated as the "pre-judgement interest". The issue relates to the matter of whether the bank, during this period, pursuant to the contractual basis with the individual customers or on the basis of customary practice or industry practice, has been entitled to calculate and charge compound interest at the bank's "pre-judgement interest rate" in connection with the collection of customer debts in the DCS. The issue affects the question of whether the bank must compensate customers who have paid compound interest to the bank since 2004. In addition, the issue also affects the question of whether the outstanding debt should be adjusted for customers who still have a debt with the bank and where part of the debt relates to compound interest calculated during the period in question. Since the calculation itself was made in the period 2004 to 2012, the question of compensation must be seen in the context of the bank's decision not to invoke time-barring, see section 7.2 of our report of 31 October 2021.

As regards the bank's identification of the period covered by additional issue no. 27, the bank has, according to information received, examined whether customers whose debt collection was established before 2004, including former BG Bank customers, may have entered into an agreement to pay simple interest, and also whether these customers may have been charged compound interest as a result of the bank's transfer ("migration") of customer cases to the DCS in 2004. The bank has stated that it has found no indications of this. According to information received, the bank's conclusion is based on interviews with

relevant key persons with the bank and on a review of four randomly selected cases transferred to the DCS in 2004. In the cases reviewed, customers have also, according to information received, paid compound interest prior to the migration of the cases to the DCS according to an agreement to that effect. In this connection, we note that we have not reviewed the cases referred to and that, on the basis of the information available, we cannot assess whether the sample carried out provides a sufficient basis for concluding that no agreements have generally been made to calculate simple interest in the period prior to the implementation of the DCS. Therefore, we also cannot assess, on the basis of the information available, whether the issue may have occurred in the period prior to 2004.

Moreover, the bank has taken the view that additional issue no. 27 could not have occurred after 2012 because, effective 1 January 2012, the bank implemented a correction in the DCS, ensuring that, going forward, the value date of interest would be fixed at a date well into the future. As a consequence of this, the interest added on a regular basis has not been included in the basis for subsequent interest calculations, see section 7.1 above.

In relation to the above matter, however, we understand that the bank, since 2012, has calculated interest on customers' "interest recognised as owed" in the DCS, notwithstanding that the bank in 2012 implemented a change to the DCS, which enabled the application of simple interest. According to information received, the term "interest recognised as owed" in this connection covers, among other things, interest which is subject to a settlement with the customer, under which the customer has acknowledged the entire debt in writing. The bank has provisionally stated that it will analyse this derived potential issue in connection with its analysis of additional issue no. 39, see section 9.4.39 below.

In addition, the bank has stated that the change in interest calculation to a simple interest rate in 2012 did not necessarily benefit all affected customers, as the frequency of interest accrual was adjusted at the same time. According to information received, the bank will also analyse this additional issue in connection with its analysis of additional issue no. 39.

In connection with its analysis of additional issue no. 27, the bank has made a legal assessment of whether the bank, during the period from 2004 until 2012, entered into valid agreements with the affected customers on calculation of interest on the basis of compound interest. In January 2022, the bank concluded that the agreed interest terms in the voluntary settlement and payment agreements the bank had entered into with its debt collection customers contain valid terms for calculating compound interest.

On the basis of this assessment, the bank decided in January 2022 to close additional issue no. 27 without offering compensation to customers affected and without informing the affected customers about the issue.

In March and April 2022, we asked the bank a number of questions about the basis for its analyses, and we pointed out to the bank that, in our view, the analyses we received did not describe all aspects of the assessments made by the bank. We have also pointed out to the bank that the analysis team that has worked on additional issue no. 27 has shown us examples of specific agreements that do not appear to have been examined in connection with the bank's initial legal assessment.

On 18 May 2022, the bank announced that it will reconsider its decision to close additional issue no. 27. In this connection, the bank has stated that it will obtain an external legal assessment of the issue to ensure that all aspects of the issue are clarified and documented before a new decision is made.

We will follow up on the issue when the bank's re-assessment of the issue is available.

9.4.28 Additional issue no. 28 – Error in the limitation date of interest in new cases in the DCS

Additional issue no. 28 is described in this report on the basis of the bank's initial analysis (Fact Pack) and is considered to have passed Gate 1, see section 9.3. The bank has assessed that the issue can be closed without communication or compensation to the bank's customers, as the issue has not led to over-collection of any customers. However, this is on the condition that the bank, before September 2022, performs a system adjustment to ensure that the bank does not collect partially time-barred claims. Consequently, it will be necessary to assess the issue in relation to Gate 3 in order to ensure that the planned system adjustment will in future prevent the error concerned.

9.4.28.1 Nature and scope of the issue

Additional issue no. 28 concerns the fact that, according to information provided by the bank, an interest-rate item may be listed as being enforceable in the bank's collection system, the DCS, even if the interest-rate item is partially time-barred. In the longer term, this may result in a risk of the bank collecting time-barred debt. The bank believes that the risk of collecting time-barred debt will not be relevant until in September 2022 at the earliest, and a number of system adjustments and corrections must therefore be made before that time.

The issue is a consequence of a system correction made by the bank in March 2020, which was intended to address the issues in the DCS described in our report of 31 October 2021 as root causes 1 and 2, see sections 5.1.1 and 5.1.2 of the report.

As described in section 8 above, root cause 1 concerns, among other things, the fact that the principal, interest and fees have previously been aggregated into a single amount in connection with the transfer of debt from the bank's other systems to the DCS.

Root cause 2 concerns the fact that a customer's debt on transfer to the DCS was registered with an incorrect due date, as the due date was registered as the date on which the case was created in the DCS and not the due date of the debt. Consequently, the debt was registered with an incorrect and late due date, and the system calculated a limitation date for the debt that was too late.

We understand that, against this background, in March 2020 the bank made a system change intended to ensure that, on transfer to the DCS, the debt could be divided into several different types of balance, depending on the legal characteristics of the individual balance entries (i.e. principal, interest, interest recognised as owed, fees, etc.). The purpose of this exercise was to ensure that the individual components could be registered with correct, or at least not late, due dates, thus ensuring that there was no risk of collecting time-barred debt.

The bank has stated that, after this system change, the debt is transferred to the DCS in several entries to the effect that the principal is transferred as a single entry in what the bank refers to as balance type 3 in the DCS. Interest and fees are transferred to balance type 2 so that there is one entry for fees, one entry for what the bank refers to as "ordinary interest" and one entry for what the bank refers to "extraordinary interest".

In this connection, "the ordinary interest entry" consists of the interest added on an ongoing basis in the FEBOS banking system, e.g. quarterly or annually. The "extraordinary interest entry" should in this context be understood as the interest calculated for the period from the most recent ordinary interest added up to the time when the account is transferred to the DCS. In this connection, it should be noted that compound interest is calculated in the FEBOS banking system and that part of "the extraordinary interest" is therefore interest calculated on "the ordinary interest".

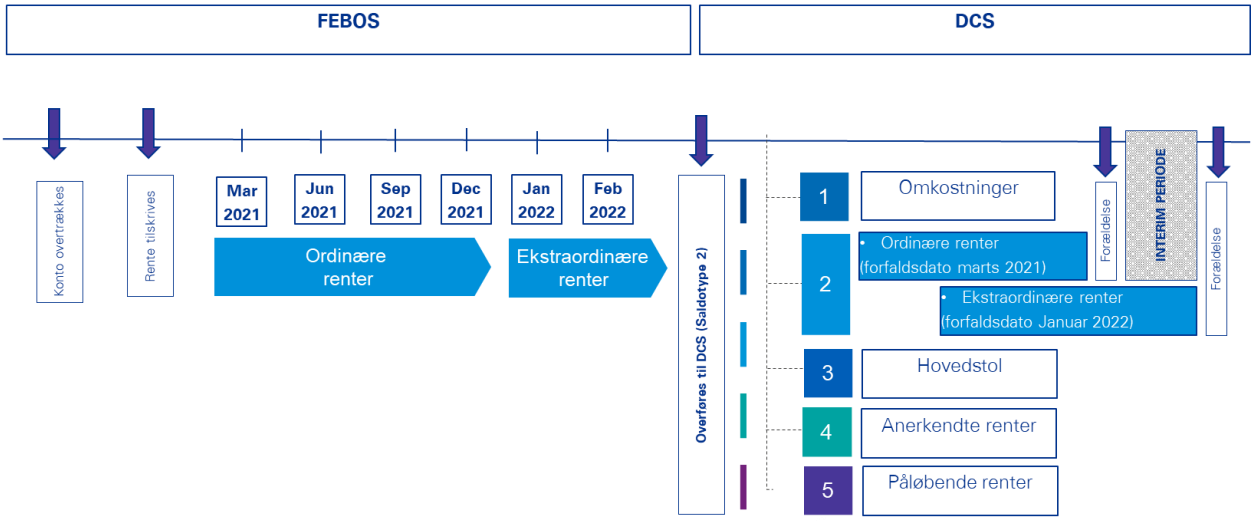
Example

On 10 March 2021, a customer overdraws an account with the bank. The bank adds interest to the account quarterly on 31 March, 30 June, 30 September and 31 December. The customer does not make payments into the account.

On 14 February 2022, the account is transferred to the DCS. In the DCS, two interest entries are registered in balance type 2. First, "the ordinary interest entry" is registered, i.e. unpaid interest for the period 10 March 2021 – 31 December 2021. This entry is registered

with a due date on 10 March 2021. Then "the extraordinary interest entry" is registered, i.e. unpaid interest for the period 1 January 2022 – 14 February 2022. This entry is registered with a due date on 1 January 2022.

Figure 12 – Illustration of additional issue no. 28



According to the bank, additional issue no. 28 arises when "the ordinary interest entry" is registered as time-barred, but "the extraordinary interest entry" is not yet registered as time-barred. The reason is that a part of "the extraordinary interest entry" becomes time-barred at the same time as "the ordinary interest entry" becomes time-barred, see section 23 of the Danish Limitation Act on so-called ancillary time-barring.

However, the DCS does not automatically recalculate "the extraordinary interest entry" when "the ordinary interest entry" becomes time-barred, and therefore a situation may arise where part of "the extraordinary interest entry" is actually time-bared even though it is registered as enforceable in the DCS.

In the above example, "the ordinary interest entry" will generally be registered with a limitation date of 10 February 2024 (2 years and 11 months from the registered due date), while "the extraordinary interest entry" will be registered with a limitation date of 1 December 2024. This means the period between 10 February 2024 and 1 December 2025 will be a period ("interim period") during which "the extraordinary interest entry" will not be registered as time-barred despite the fact that parts of the amount constitute interest on "the ordinary interest entry", which has now become time-barred, and where time-barring therefore also occurs for parts of "the extraordinary interest entry", see section 23 of the Danish Limitation Act.

9.4.28.2 The bank's measures to stop the issue and inform customers

As described above, the issue has only occurred following the system change implemented in March 2020. Thus, it is only from this date that the bank started to record different limitation dates for "the ordinary interest entry" and "the extraordinary interest entry".

Through a data search, the bank has found that the "interim period" described above cannot apply until from September 2022 at the earliest, and the bank has stated that the bank plans to carry out additional system adjustments and corrections of the relevant data before then in order to avoid the risk of collecting claims which are time-barred in whole or in part.

The bank has stated that the planned system adjustment serves to ensure that, in future, the system will set a limitation date for the "the extraordinary interest entry", corresponding to the limitation date of the "the ordinary interest entry". This actually sets too early a limitation date for "the extraordinary interest entry", but the adjustment helps avoid the occurrence of an interim period during which there is a risk of a partially time-barred claim being collected. In addition, the bank will adjust the registered limitation date for "the extraordinary interest entry" in cases where "the extraordinary interest entry" is already registered with a limitation date that is different from the one registered for "the ordinary interest entry".

The bank has thus decided that additional issue no. 28 can be closed without neither communication nor compensation to the bank's customers being needed, as the issue has not resulted in overcollection of any customers.

On the basis of the material we have received from the bank, we do not have any grounds for challenging the bank's conclusion that the issue has not led to overcollection of the bank's customers. We will carry out a detailed review of the documentation of the implementation of the system and data adjustments planned by the bank prior to September 2022, which is the earliest time at which the issue may lead to payment of partially time-barred debt in relation to the searches made by the bank.

9.4.29 Additional issue no. 29 – Errors in Danske Prioritet Plus cases

Additional issue no. 29 concerns errors in the bank's processing of so-called "DPP cases" (i.e. cases relating to the product "Danske Prioritet Plus"). According to information received from the bank, the errors are due to incorrect or poor processes in connection with the bank's handling of these cases and to the lack of or inadequate functionality in the DCS.

The bank has not yet completed an initial analysis of the issue, and we therefore have only limited insight into the errors that the bank is processing in relation to the issue. Based on the general descriptions that

we have seen, the errors have led to the risk of incorrect mortgage payments in specific cases, partly because of manual handling and calculations, and partly because of the failure to adjust the mortgage payments by changing the relevant interest rate in the case. Finally, the bank has not in all cases initiated the repayment of an interest-only loan after the end of the interest-only period.

According to the bank, errors in customer mortgage payments have given rise to a risk that the bank has overcollected customers for specific mortgage payments. According to information received, the bank believes that a number of its customers will be entitled to compensation and possibly to claim that a remaining debt be written down. We do not have an insight into the expected extent of the compensation, but the bank states that the issue is expected to affect fewer than 2,000 cases, which include both open and closed cases in the bank's debt collection systems. The bank expects the issue will include fewer than 100 customers who are potentially entitled to compensation. The bank expects this figure may change in connection with the bank's initial analysis of the issue.

9.4.30 Additional issue no. 30 – Errors in cases regarding Aktiv Kapital

In our report of 31 October 2021, we noted in connection with additional issue no. 13 that, in connection with the investigation of cases handled by an external debt collection agency, the bank had found an error which caused a number of cases to be closed at the debt collection agency, even though the cases which are open in the bank's debt collection systems have been registered as being handled by the debt collection agency.

The bank has not yet completed its analyses and therefore has not presented us with an initial analysis of the issue, and we therefore have no detailed insight into the errors that may have led to the issue. The bank has informed us that the issue may have caused, among other things, the time-barred debt to still be registered in the bank's systems and still be reported to the Danish tax authorities. The explanation is that the bank incorrectly assumed that the case was handled by an external debt collection agency and therefore considered the stated limitation date to be incorrect.

We have no insight into whether the issue has resulted in losses for the bank's customers and whether, as a result, there is a need to compensate customers for such losses. According to information received, the bank expects the issue to involve fewer than 100 customers who are potentially entitled to compensation. The bank expects this figure may change in connection with the bank's initial analysis of the issue.

9.4.31 Additional issue no. 31 – Unfavourable voluntary settlement

According to information received, additional issue no. 31 concerns situations in which the bank has made a settlement with a customer about repayment of the customer's debt in instalments, but where the settlement was made on terms that were unfavourable/unreasonable for the customer. In this connection, the bank believes that concluding these settlement agreements may have constituted a breach of good practice rules. To our understanding, the issue is closely linked to additional issue no. 24 regarding the bank's failure to provide advice in connection with interest type changes.

The bank has not completed its preliminary analysis of the issue, and we therefore have no detailed insight into the specific issues it covers. Based on the information available, we can conclude that the bank expects that fewer than 100 customers may be entitled to compensation payments or to a reduction of their outstanding debt as a result of the issue. The bank expects this figure may change in connection with the bank's initial analysis of the issue.

9.4.32 Additional issue no. 32 – Order of priority in payment agreements

Additional issue no. 32 concerns the bank's entering into payment agreements with customers in the DCS in situations where the customer has more than one loan that has been transferred to the bank's debt collection department and where these loans are included in one and the same payment agreement with the bank.

In some of the payment agreements concerned, the bank has, according to information received, agreed with the customer that the customer would pay off one loan first, then the other loan and so forth. An order of priority has thus been agreed for the repayment of the customer's loans. In this context, however, it has become apparent that entering into such agreements was not always the most advantageous solution for the customer because it would have been better for the customer to enter into "pro rata" payment agreements with the bank, in which the loans are repaid concurrently. As a result of the bank's agreements, customers may have paid or been subject to an overall higher interest expense than if their payments had been used to cover the various loans on a pro rata basis. However, the bank states that this will depend on the specific case because an order-of-priority payment agreement can be better for some customers.

The bank is therefore investigating whether the concluded payment agreements are unfair to the customers and whether the bank therefore may have provided customers with incorrect or inadequate advice in connection with the payment agreements.

The bank has not completed its preliminary analysis of the issue, and we therefore have no detailed insight into the basis for the bank's assessments, including the extent to which the bank's customers will be entitled to compensation. Based on the information available, however, we can conclude that the bank expects that fewer than 500 customers may be entitled to compensation payments or to a reduction of their outstanding debt as a result of the issue. The bank expects this figure may change in connection with the bank's initial analysis of the issue.

9.4.33 Additional issue no. 33 – Failure to write down co-debtors' debt

Additional issue no. 33 concerns the bank's failure to write down the debt owed by co-debtors in cases where one debtor's debt has become time-barred.

On the basis of an amendment to the Danish Limitation Act, the bank decided in 2016 that it would in future write down the debt of a co-debtor (in cases where there are two jointly liable debtors) if the claim against one of the jointly liable debtors has become time-barred. In this connection, the bank states that the specific write-down of the debt of a co-debtor will depend on the specific case. To our understanding, the bank has assessed that it will generally be under an obligation to write down the debt of a co-debtor, but we have not seen the basis for this assessment. In a number of cases, the bank's write-down has not been implemented correctly or has not been implemented at all, which means the bank has not treated all customers in the same situation equally. Specifically, there is a risk that the debt of some customers has not been written down as otherwise assumed, which means that, despite the time barring of the claim against a co-debtor, they may have paid the full amount of their debt.

The bank has not completed its preliminary analysis of the issue, and we therefore have no detailed insight into the basis for the bank's assessments, including the extent to which the bank's customers will be entitled to compensation. Based on the information available, we can conclude that the bank expects that fewer than 200 customers may be entitled to compensation payments or to a reduction of their outstanding debt as a result of the issue. The bank expects this figure may change in connection with the bank's initial analysis of the issue.

9.4.34 Additional issue no. 34 – Bookkeeping errors in bankruptcy/probate cases

Additional issue no. 34 concerns inadequate functionality of the bank's bookkeeping model in the DCS. The lack of functionality causes problems when paying dividends in bankruptcy/probate cases (i.e. cases relating to estates of deceased persons, debt relief or bankruptcy). Similarly, the lack of functionality may cause ordinary settled cases to be shown with overpaid amounts.

The bank has not completed its preliminary analysis of the issue, and we therefore have no detailed insight into the specific issues the bank is processing in these cases. At the present stage, the bank is unable to conclude whether there are customers who are entitled to compensation as a result of this issue and, if so, how many. However, the bank states that it estimates provisionally that fewer than 20 customers will be entitled to compensation.

9.4.35 Additional issue no. 35 – Limitation errors in case of missing signature in payment agreement

Additional issue no. 35 concerns an IT solution the bank introduced in April 2021 to ensure correct time-barring of debt in the bank's DCS debt collection system. As part of the solution, a payment in the system is considered as constituting a suspension of the limitation period in cases where a payment agreement is in place, because the limitation date is thus set on the basis of the most recent payment date, see section 15 of the Danish Limitation Act.

The IT solution builds on the precondition that the payment can always be interpreted as an acknowledgement of the total debt, which in turn suspends the limitation period, although, in the bank's opinion, this requires that the payment be made in accordance with a payment agreement previously signed by the customer. Otherwise, in the bank's opinion, acknowledgement of debt will only have been made after three successive payments of identical amounts. However, the bank has identified different error scenarios in which the system has incorrectly registered a suspension of the limitation period even though the conditions for such suspension were not met.

It should be noted that the initial analysis of this issue has still not been completed, and at the present time, therefore, the bank cannot conclude whether there are customers who are entitled to compensation as a result of this issue and, if so, how many. However, the bank has provisionally estimated that fewer than ten customers will be entitled to compensation if that is the conclusion of the analysis, but it is expected that this number may change as the analysis progresses.

9.4.36 Additional issue no. 36 – Processing errors in connection with temporary suspension of interest

According to the bank, additional issue no. 36 concerns situations in which a customer adviser at one of the bank's branches has made an error in connection with an agreement with a customer about less restrictive terms in connection with a temporary suspension of the addition and charging of interest and where, in spite of the agreement, interest calculation and accumulation continue in the DCS.

According to information received, the case processing errors entail a risk that the bank may have charged unwarranted interest in these cases. However, the bank states that the customer may not be the only party to suffer negative consequences of the error. In some cases, the bank has failed to follow up on the cases to the effect that interest has not accrued on the customer's debt and interest already acknowledged has been cancelled. The bank's investigations have shown that errors have occurred in up to 50% of the manually processed cases reviewed by the bank.

The bank has not completed its preliminary analysis of the issue, and we therefore have no detailed insight into the specific issues the bank is processing in these cases. The bank states that an early and not final data extraction has identified 2,400 (both historical and active) cases. At present, it is not yet known how many of these cases could potentially have had negative consequences for the bank's customers. However, according to information received, the bank expects that most of the manual processing errors will only have resulted in losses for the bank itself.

9.4.37 Additional issue no. 37 – Errors in transfer from "RD 20% guarantee" to the DCS

Additional issue no. 37 concerns cases in which the bank has provided a guarantee to Realkredit Danmark for part of its customers' mortgage loans and in which, after repayment in full of the guarantee, the bank has adopted Realkredit Danmark's claim (referred to as the "20% guarantees").

In this connection, errors that could affect the bank's calculation of interest may have occurred in connection with the transfer of the customer's debt to the DCS system. The reason is that the two debt collection systems, the PF and the DCS, apply a different number of interest days (360 days in the PF and a calendar year (365 or 366 days) in the DCS). Moreover, the DCS system applies compound interest whereas the PF applies simple interest.

The bank has not completed its preliminary analysis of the issue, and we therefore have no detailed insight into the specific issues the bank is processing in this connection. At this stage, the bank cannot conclude whether there are customers who are entitled to compensation and, if so, how many. However, the bank estimates that 8,000 to 9,000 customers could potentially be affected by the issue and that 100 to 1,000 customers may be entitled to compensation. Still, the bank states that this figure may change in connection with the bank's initial analysis of the issue.

9.4.38 Additional issue no. 38 – Lack of processing of payments from customers

Additional issue no. 38 concerns, among other things, the lack of a process in the bank to manage and close accounts for customers who have settled their debt. The bank states that this also includes the lack of processing and closing of a number of cases after the Pause logic was introduced.

This issue covers cases in which customers have repaid their entire outstanding debt and cases in which an outstanding debt remains registered but for which the bank has concluded that the customer no longer has a debt with the bank because the customer has received compensation for one of the four root causes (see 2.2.1.3 and 7.8 of our report of 31 October 2021).

The issue has potentially led to situations in which customers have remained in the DCS system with an outstanding debt for too long, which may have resulted in incorrect tax reporting. The bank is focused on investigating the potential consequences of this. According to information received, the bank is also working to close as many accounts as possible. However, we have not seen a timetable for this.

As stated in section 2.2.1.3 above, we believe that in cases where the bank has actually concluded that customers no longer owe the bank money the bank should ensure as soon as possible that the balance on customer accounts is set to zero and the accounts are closed.

The bank has not completed its preliminary analysis of the issue, and we therefore have no detailed insights into whether the issue in itself entails that customers will be entitled to compensation. The bank is in the process of identifying the number of affected customers.

9.4.39 Additional issue no. 39 – Lack of communication when changing interest rate type

Additional issue no. 39 concerns the bank's so-called "pre-judgement interest rate" in the DCS system, because the bank changed this pre-judgement interest rate from being compound interest to simple interest in 2012, see the description above concerning additional issue no 27.

In this connection, a risk was identified that the change was made without notifying or informing the customers and without renegotiating the terms and conditions underlying the customer relationship. According to the bank's assessment, the change was to the benefit of some customers, while other customers – for example due to their payment patterns – may have been placed at a disadvantage because of the change.

According to the bank, the issue also concerns the fact that, despite the change from compound interest to simple interest, the bank has continued to charge interest on the customers' late-payment interest when such interest was accepted in writing by the customers in a settlement. First of all, to our understanding of the issue, the bank is in doubt as to whether the bank was authorised to do so pursuant to its agreement with the customers. Secondly, the bank's analyses show that it is a problem that the customers by "acknowledging the debt" at the bank's request have increased the basis of calculation and, by extension, the total cost of the debt.

The bank has not completed its preliminary analysis of the issue. Based on the information we have received, however, we conclude that the bank cannot rule out that the issue concerns customers who are entitled to compensation or to a correction of the balance of their outstanding debt. The bank is in the process of identifying the number of affected customers.

9.4.40 Additional issue no. 40 – Additional errors in the PF system

Additional issue no. 40 concerns data errors in the PF system. The bank has found that the cases in the PF system risk being erroneous because other debt items have been wrongly added to the principal, including interest on outstanding debt, contributions, interest differential, settlement commission/brokerage, repayment fee, and other fees due.

The issue could potentially result in overcollection, including the potential collection of time-barred debt, because contributions and other fees etc. are subject to limitation after a period of three years. Finally, the issue may also have caused the bank to submit incorrect reports to the Danish tax authorities. It should be noted that the initial analysis of this issue has still not been completed, and at the present stage, the bank therefore cannot conclude whether there are customers who are entitled to compensation as a result of this issue and, if so, how many. However, the bank provisionally estimates that around 1,000 customers may potentially be affected by the issue and that fewer than 100 customers are estimated to be entitled to compensation.