

Press release

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### **Danske Bank to compensate Flexinvest Fri customers**

Danske Bank has found that customers who invested in the Flexinvest Fri product during a certain period paid fees that were too high. This was a result of a number of management decisions to change Flexinvest Fri fees in connection with the implementation of new regulation (MiFID II) in 2017. At the time, interest rates were low, and the expected returns were similarly low. In this perspective, the management decisions caused the fees to be set at too high a level in relation to the expected returns. This meant that fees were too high for all customers, and it made the product unsuitable for some customers. As a result, all customers who invested in the Flexinvest Fri product during the period in question will receive compensation from the bank before the end of 2019.

*“As I said on my first day in office, customers must be at the heart of everything we do. Every single day, we must strive to ensure that we offer our customers proper advice and products that suit their needs. This is also what customers rightfully expect from us. As a result of misguided management decisions, we failed to do so in this specific matter, and for this we offer our apologies. Of course, we will compensate all affected customers. And we will take all the steps necessary to prevent something similar from happening again in future,”* says Chris Vogelzang, CEO.

#### **Facts of the matter**

The matter affects about 87,000 customers in Denmark who invested in the Flexinvest Fri product. Two customer groups are involved:

- Customer group 1: These are customers who had already invested in the product before the fees were raised on 1 July 2017. The customers will receive compensation for the fee increase from 1 July 2017 to 19 November 2018, when the fees were lowered again.
- Customer group 2: These are customers who purchased the product from 1 February 2017, when the decision to raise fees was made. In addition to receiving compensation for the paid fees that were too high, the customers will be compensated for the returns that they could have obtained by placing their investments in a relevant alternative to Flexinvest Fri.

Both customer groups will receive compensation including compensatory interest, and the amount of compensation for a typical customer will be in the range of DKK 1,000-2,000. Danske Bank expects the total compensation to amount to about DKK 400 million.

We will inform the affected customers individually by letter, pay the compensation as soon as possible, and before the end of the year. Customers need not do anything at the moment but will be contacted directly by Danske Bank.

Danske Bank's internal control function became aware of the issue through a report from an employee in September 2018, through an internal product review, and through a small number of customer complaints about high fees. We then addressed the issue, for example by changing our recommendations for the individual strategies, and we also initiated a review of the product. After the review had confirmed that the issue related to increased costs and expected low returns, we lowered our Flexinvest Fri fees in November 2018.

The Danish Financial Supervisory Authority (the FSA) has been informed on an ongoing basis and is currently looking into the matter. In this connection, we expect to receive justified and severe criticism from the FSA.

Danske Bank

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