Proposal for inclusion on the agenda of the annual general meeting of Danske Bank A/S 2021.

From shareholder Gunnar Mikkelsen

24 November 2020

With reference to section 364, cf. section 361(2), of the Danish Companies Act, the general meeting adopts a resolution that Danske Bank A/S, as soon as possible, files a criminal complaint and commences proceedings against Danske Bank's Board of Directors and Executive Leadership Team as well as Executive Vice President Rob de Ridder and other former members of Danske Bank's management team who are or have been responsible for Danske Bank's debt collection department and the company's external auditors as well as signing auditors subject to the applicable rules of limitation.

The said legal and natural persons comprised by the criminal complaint and the proceedings must be ordered to acknowledge liability, primarily on a joint and several basis, secondarily on an alternative basis, in respect of:

1. all consequential costs, including any fines, for investigating the debt collection scandals for Danske Bank, provisionally based on Danske Bank's own report of 10 September 2020, orders issued to Danske Bank by the Danish Financial Supervisory Authority (FSA) and the revelations made by Danish daily Berlingske Tidende and television channel TV 2 that Danske Bank has failed to comply with the rules on good business practice of the Danish Financial Business Act and that the auditors have possibly failed to comply with the provisions on generally accepted auditing standards of the Danish Act on Approved Auditors and Audit Firms and the executive order on statements made by state-authorised and registered public accountants in connection with the issuance of auditors' reports on Danske Bank's financial statements without use of additional information in accordance with section 7(2) of the executive order on statements made by state-authorised and registered public accountants, despite the fact that it should have been clear to both the audit firm and the signing auditors that reporting to the Danish tax authorities was incorrect, that collections from Danske Bank's customers were made on an incorrect basis and that Danske Bank continued to use this procedure even though both Danske Bank's management and the auditors were aware thereof. By using this procedure, Danske Bank's external auditors contributed – due to inactivity – to the Danish state suffering a loss of proceeds in that debt collection customers have made tax deductions for erroneously reported interest expenses and in that the resulting lower taxable income may have given the affected debt collection customers higher income-based public benefits, and finally in that the procedure may have given the affected debt collection customers higher disposable amounts, which may have enabled them to pay higher instalments to Danske Bank than they would otherwise have been able to, whereby the procedure may have been used for the sake of gain.
2. shareholders' losses as a result of management's and the auditors' inactivity and failure to show due care to rectify and report errors and deficiencies in Danske Bank's debt collection systems.
3. The document is not signed as it is submitted digitally.

Proposing shareholder's motivation for the proposal:

Danske Bank's management, that is, the Board of Directors, the Executive Leadership Team and its changing executive vice presidents with responsibility for the debt collection department and the external auditors have for several decades, due to inactivity, in the debt collection case failed to submit correct reporting to Danske Bank's debt collection customers, the FSA and the shareholders and others about Danske Bank's well-known practice regarding incorrect debt collection and charging of interest from Danske Bank's debt collection customers as well as breaches of Danish tax legislation regarding reporting of interest as prescribed by law, section 43 of the Danish Financial Business Act as well as the Danish Capital Markets Act.

To this should be added that according to information provided by Berlingske Tidende and TV 2, Danske Bank's new management decided to cover up the matter in March 2020.

The below extract is copied from the following link: https://nyheder.tv2.dk/samfund/2020-11-24-danske-bank-chef-paa-hemmelig-optagelse-det-er-jo-ikke- noget-som-vi-skal-ud-at

"It appears from the documents that at the end of March this year, Danske Bank adopted a strategy that it would not inform the general public about the matter, which according to Danske Bank's risk assessment constituted "a massive reputational risk".

Public	• **No communication to general public**

Source: Internal document from Danske Bank

Danske Bank's communications department concluded that the advantage for Danske Bank would be to "avoid the risk that 'normal' customers would hear about" the matter and the disadvantage was that Danske Bank would not be "transparent". This appears from the communication plan: Further, it appears that several members of the Executive Leadership Team approved the plan.

Pros /cons	Minimize uncertainty around impact, avoid risk of "normal" customers hearing about this	Not transparent on overall extent and impact of issue. Indirect compensation limited to direct-compensation customers

Kilde: Intern dokument fra Danske Bank

Source: Internal document from Danske Bank

Ethical and transparent

Transparency has in fact been a core element of the new management team's plan to restore confidence in Danske Bank after the money-laundering case.

The plan was presented together with the 2019 financial statements under the "Better Bank" heading. It appears from the plan that Danske Bank aims to be "sustainable, ethical and transparent" by 2023.

However, in the same annual report, the fact that Danske Bank has been collecting debt illegally from thousands of customers for years is merely described as "a loss related to operational risks". The report does not contain a single word about illegally collected debt.

The summary of Danske Bank's annual report for 2019, page 10 of 68, states as follows:

> In addition, expenses increased as a result of a provision for operational risk-related losses of DKK 0.4 billion. The provision relates to a data quality issue that affects a limited part of the operations.

No shareholder can have any expectation that this text about operational risks hides gross errors in Danske Bank's debt collection systems dating back more than 30 years, which Danske Bank had to explain over 120 pages to the FSA/the Danish Ministry of Industry, Business and Financial Affairs.

Further, the summary states on page 16 of 68:

> **Sustainable, ethical and transparent operations**
>
> To create a positive impact on the societies we are part of, we continue to incorporate societal impact as a core element of our business model. At the heart of this is our strong commitment to sustainability, to always having the best interest of our customers at heart and to contributing to society by fighting financial crime. A robust level of compliance is the foundation for sustainable relationships with our customers and business partners as well as for our contribution to a stable financial system.

Even though it appears from the minutes of Danske Bank's most recent annual general meeting – which may rightly be described as inadequate – that I focused on the above-mentioned issues in my presentation.

The provisions on the disclosure obligations vis-a-vis shareholders and other stakeholders are laid down in section 27[1] (easy access to information in the European Union) and section 34(2) and (3) of the Danish Securities Trading Act. The provisions of section 34(2) and (3) read as follows:

[1] The Securities Trading Act has been replaced by the executive order on capital markets. Section 34 of the Securities Trading Act has been replaced by section 24 of the Capital Markets Act.

(3) In subsection (2):

1) Information of a precise nature shall mean information which
   a) indicates a set of circumstances which exists or may reasonably be expected to come into existence or an event which has occurred or may reasonably be expected to do so and

   b) is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the market price of the relevant securities.

2) Information which would be likely to have a significant effect on the market price of one or more securities shall mean: Information a reasonable investor would be likely to use as part of the basis of investment decisions.

The Capital Markets Act (act no. 650 of 8 June 2017) was adopted by the Danish parliament in the summer of 2017 and came into force on 3 January 2018. The explanatory notes to the Capital Markets Act describes this as the "most important regulatory initiative within the capital markets area since the stock exchange reform II, which formed the basis of the preparation of the Securities Trading Act". Overall, the Capital Markets Act contains the same regulations as those applicable to the issuance of and trading in financial instruments in trading venues, and which followed from the Securities Trading Act in force until 3 January 2018.

Generally, the rules for issuers under the Capital Markets Act constitute a re-enactment of the rules previously applicable under the Securities Trading Act. The areas governed by the Capital Markets Act, i.a. the rules on the conditions for listing, including the rules on prospectus requirements, disclosure obligations, reporting of major shareholders and takeover offers, are generally the same.

The provision of the Capital Markets Act reads as follows:

"Requirements on the disclosure of information

24.-(1) An issuer must publish and disseminate information according to this part and article 17(1) and (7) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) in a manner which enables fast access to this information throughout the European Union and countries having signed an agreement with the Union in the financial area. The dissemination of information should take place on a non-discriminatory basis.

(2) Information must be disseminated through such media as may be relied upon for dissemination of the information to the public throughout the European Union and countries having signed an agreement with the Union in the financial area."

According to TV 2, members of Danske Bank's management team have provided the public with incorrect information as follows:

"At the staff meeting in June in the same department, the matter was presented to the employees, however, as an issue recently discovered by the head of Danske Bank's debt collection department, Anders Wendelboe.

I think most of you can recall a year and one day ago, Danske Bank's head of the debt collection department said at the internal meeting, and he ascertained:

That was when we discovered the error.

To begin with, the same explanation was repeated when TV 2 and Berlingske reported in August that Danske Bank had collected too much debt from its vulnerable customers for years. At that time, Executive Vice President Rob de Ridder explained that Danske Bank did not become aware of the problems until in the spring of 2019.

However, the Executive Vice President later on acknowledged that Danske Bank had previously been warned about the problems."

The Chairman of the Board of Directors, Karsten Dybvad, has regretted in public that the employees' warnings about the problems were repeatedly ignored.

"I would like to apologise unreservedly to all the employees who have mentioned the issue and attempted to get management's attention. This is unacceptable and a true governance failure, said Karsten Dybvad to TV 2."

Whereas the Chairman of the Board of Directors, Karsten Dybvad, regretted Danske Bank's conduct to the employees and the affected customers of Danske Bank, the Chairman has expressed no regret in relation to the shareholders of Danske Bank, who have witnessed the market value of the Danske Bank share fall much more than it would cost to rectify the issues in the debt collection department by investigating up to 100,000 customers.

In a written reply to TV 2, Head of Communications Kim Larsen denies that Danske Bank wanted to cover up the issue:

"We focused on ensuring that the affected customers would hear about the matter directly from us and not through the media. Consequently, we concentrated on getting to the bottom of this matter so that we could provide the customers with correct information and offer them compensation, which we are in the process of doing. We wish we could have done all this faster, but that does not change the fact that it was and is our focus, writes Head of Communications Kim Larsen."

Danske Bank did in fact not inform the debt collection customers about the matter.

On the news at 7.00pm on 24 November 2020, Danske Bank's Head of Communications, Kim Larsen, was interviewed about the cover-up of the matter. The Head of Communications added that Danske Bank should have published a press release about the issues.

That is utterly inadequate, in the view of the proposing shareholder. Danske Bank should have released a stock exchange announcement long ago – and long before the media revealed the debt collection scandal, see the Capital Markets Act.

Had this happened, all of Danske Bank's shareholders would have become aware of the matter and its damage to Danske Bank's reputation could have been limited.

During the interview, Danske Bank's head of communications was presented with the contents of an earlier master plan for how to communicate the debt collection problems to the public. It appeared, undisputedly, that the first version of the plan recommended informing the public about the issues associated with Danske Bank's debt collection. The proposing shareholder has no knowledge of why the communication strategy was changed.

From Danske Bank's internal audit department, the following information has been obtained from Danske Bank's report of 10 September 2020 to the FSA, page 4 of 120:

> "A number of audit observations were issued during 2005-2016, some of which were linked to the issues that the Bank is now facing. The Bank recognises that it did not do enough to fully address the root causes of the findings made by audit or to effectively follow-up on all of the actions as summarised below:

In the first two years after the DCS implementation the Bank issued two internal audit reports (published in January 2005, and in January 2006) that identified issues with the data quality in DCS, the need for significant corrections and recommended for Debt Collection Service to do a total clean-up of incorrectly registered cases and that periodic checks be performed to ensure that the problem did not persist.

Audit Reports published in 2010 (four audits) and 2011 (two audits) identified a number of issues with Group Recovery Debt Management (GRDM) controls and processes as lacking or insufficient, gaps in registered claim expiry dates, and incomplete or unprocessed cases regarding bad debt. In 2012, internal audit identified GDRM were incorrectly processing outstanding debt, insufficient data review and calculation of loan charges and incorrect interest calculations.

Audits of the area in 2015 and 2016 did not reveal issues to the extent that have now been discovered.

A planned audit of the area in 2019 was not conducted due to the now ongoing internal investigation of the area.

In the period 2006 - 2016 certain discount offer campaigns were contemplated. During these campaigns the relevant debtors would be offered a substantial "hair cut" to their debt. Four campaigns were escalated for approvals within the Bank in 2007, 2009, 2014 and 2016 although the Bank understands not all of the campaigns were actually launched. There was an understanding within the Bank, at least in connection with some of these campaigns, that the campaigns would reduce the scale of manual debt recalculation for the customers successfully covered by the campaigns and reduce the risk of claims being time-barred."

It follows that no audit of any kind was made in the years 2017, 2018 or 2019 in the debt collection area of Danske Bank – probably covering not less than DKK 20 billion.

Despite Danske Bank having know about the errors in its debt collection systems for many years, Danske Bank continued to pursue and collect debts from some of the most vulnerable citizens in this country without the required basis – but rather based on the reverse ROBIN HOOD principle.

The proposing shareholder is aware that shareholders registered as holders of more than 5% of the voting rights attaching to Danske Bank's shares probably hold more than 40% of the voting rights attaching to the shares in Danske Bank. The proposing shareholder appeals to the major shareholders to vote in favour of this proposal in an attempt to clean up in Danske Bank, even though management hardly supports the proposal.