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Danske Bank A/S

Danske settles with US and Danish authorities over money laundering, a credit positive

On 13 December, [Danske Bank A/S](#) (A2/A3 stable, baa2¹) announced that it had agreed to pay a DKK15.3 billion (\$2.1 billion) penalty to US and Danish authorities in relation to money laundering at its former Estonian branch between 2007 and 2015. Danske took provisions in Q3 2022 and 2018 that fully cover the settlement and capital will not be affected. Resolution of the investigations, which began more than four years ago, will allow the bank to focus on its core banking operations again, a credit positive.

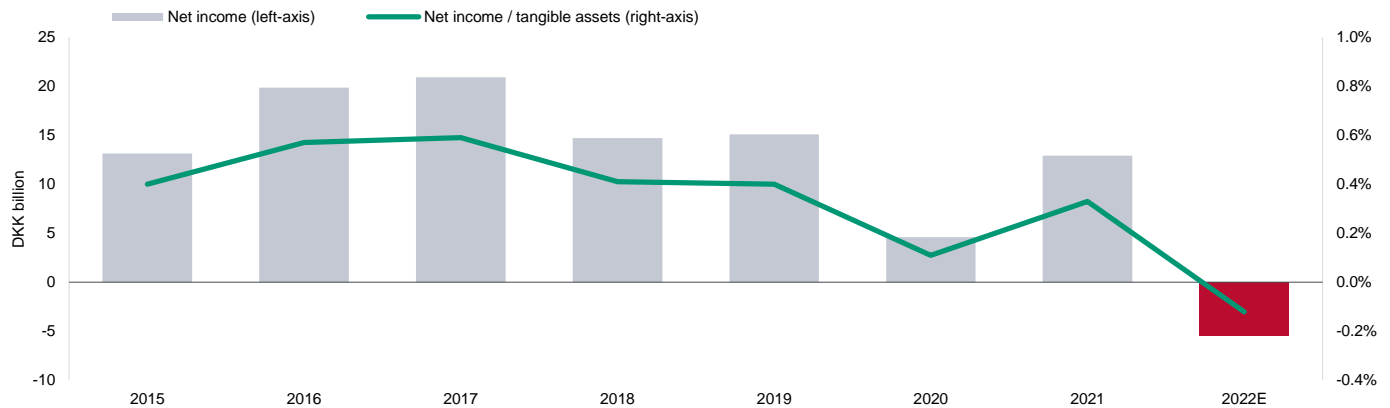
Danske pleaded guilty to the US Department of Justice's (DOJ) criminal charge of conspiracy to commit bank fraud. It also agreed to settle a civil securities fraud action with the US Securities Exchange Commission (SEC) and accepted a fine from the Danish Special Crime Unit (SCU) for violations of Denmark's Anti-Money Laundering Act and Financial Business Act. The amounts payable to the respective authorities are \$1.2 billion to the DOJ, \$179 million to the SEC and DKK4.8 billion to the SCU.

The anti-money laundering failings at its former Estonian branch have hit Danske's franchise, and contributed to making it difficult for the bank to attract new customers in its home jurisdiction of Denmark. However, the lender has made significant remediation efforts, changing its senior management and board, as well as investing about DKK12 billion to strengthen its financial crime risk management framework. These efforts, along with addressing the investigations, have consumed considerable financial and human resources that can now partly shift back to the bank's core activities.

Capital will not be negatively affected. The bank's Common Equity Tier 1 capital ratio was 16.9% in Q3 2022, above its 16% target and 4.5 percentage points above the 12.4% regulatory requirement. Danske has been allowed to release DKK7.5 billion of its DKK10 billion Pillar 2 add-on that the Danish Financial Supervisory Authority had requested it hold in relation to the investigations. The release of regulatory capital will more than cover the loss of up to DKK5.3 billion (\$757 million) that Danske expects for full year 2022 (see exhibit). Additionally, Danske's board of directors decided to cancel dividends for 2021 and will not recommend any for 2022.

Exhibit 1

Danske Bank's profitability 2015-22E



Sources: Danske Bank and Moody's Investors Service

Endnotes

¹ The bank ratings shown in this report are Danske Bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment.

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