

## ISSUER COMMENT

16 December 2025



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## Danske Bank A/S

Conclusion of US Department of Justice probation removes legal and operational overhang, a credit positive

On 13 December, the US Department of Justice (DoJ) formally concluded a three-year period of probationary oversight of [Danske Bank A/S](#) (A1/A1 stable, baa1<sup>1</sup>) initiated following a settlement related to deficiencies in anti-money laundering (AML) controls connected to historical transactions at the bank's Estonia branch. The probation required Danske Bank to implement enhanced compliance programmes, submit to regular audits and report progress to the DoJ. Its conclusion indicates that the bank has satisfied all its obligations under the terms of the agreement.

The termination of the DoJ's probationary oversight is credit positive for Danske Bank because it removes a legal and operational overhang that has constrained its strategic flexibility and increased its compliance costs. It also signals that the bank has met the stringent requirements imposed by the DoJ, reducing litigation risk and reputational concerns that could have impaired its credit profile.

During the probation period, Danske Bank undertook extensive remediation measures to address the failings that had led to the settlement, including ceasing all banking operations in the Baltic countries and Russia in 2019, strengthening its compliance culture through mandatory AML training and whistle-blowing programmes, and embedding risk management and compliance objectives into senior management performance agreements. Between 2018 and 2022, the bank invested approximately DKK12 billion to upgrade its financial crime risk management framework, including AML controls and IT systems. By 2022 it had expanded its dedicated compliance workforce to approximately 3,600 full-time employees focused on fighting financial crime. In 2024, the bank reduced costs related to its financial crime plan by DKK361 million, reflecting normalisation of investments in AML technology, controls and staffing.

The removal of DoJ oversight reduces the likelihood of further penalties or restrictions, which could have weakened Danske Bank's liquidity or capitalisation. The bank can now allocate resources previously tied to compliance monitoring to growth initiatives and efficiency improvements. The end of the oversight period also represents finality with respect to the Estonia affair, with the bank being able to further build stakeholder confidence. While the closure does not immediately alter the bank's financial metrics, it reduces tail risk.

The end of the probation also provides Danske Bank with greater clarity and flexibility regarding its capital management strategy. During the probation period, the bank maintained conservative capital buffers, partially cancelled 2021 dividends, and paid no dividends in 2022 to preserve capital in response to the settlement and regulatory requirements. With these uncertainties now resolved, the bank is better positioned to execute its stated capital plans, including potential share buybacks and dividend distributions, subject to regulatory approval. Danske Bank targets a Common Equity Tier 1 (CET1) ratio above 16% and a capital base of

DKK170 billion by 2026. It currently exceeds both targets, with a CET1 ratio of 17.8% and total capital of DKK182 billion.

Danske Bank entered into a deferred prosecution agreement with the DoJ in December 2022 after identified deficiencies in its AML controls, mainly relating to its Estonian subsidiary, led to regulatory breaches and significant fines. As part of the agreement, Danske Bank paid a \$2.06 billion settlement and committed to a multiyear compliance programme overseen by an independent expert appointed by the Danish Financial Services Authority.

## Endnotes

<sup>1</sup> The ratings shown are Danske Bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment.

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