

Company announcement no 18 2022

Danske Bank A/S
Holmens Kanal 2 - 12
DK - 1092 København K
Tel. +45 45 14 00 00

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This company announcement replaces company announcement no. 16 of 13 December 2022 to include an updated quote from the Chairman of the Board of Directors, Martin Blessing.

Danske Bank reaches coordinated resolutions with the US and Danish authorities regarding the Estonia matter

- Danske Bank has reached final coordinated resolutions with the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations into failings and misconduct related to the non-resident portfolio at Danske Bank's former Estonia branch
- Danske Bank fully accepts the findings and apologises unreservedly for the unacceptable historical failings and misconduct, which have no place at Danske Bank today
- Danske Bank has cooperated with all investigations, which have resulted in a total settlement of DKK 15.3 billion, covered by the provisions booked in the third quarters of 2018 and 2022, respectively
- The financial impact was further provisioned for in connection with our financial results for the third quarter of 2022, and the resolutions announced today conclude the investigations into Danske Bank by the DOJ, SEC and SCU
- Danske Bank has taken extensive remediation action to address those failings to prevent any repeat, including new leadership and significant investments in systems, controls and competencies to fight financial crime

Danske Bank has reached resolutions with the DoJ, the SEC and the Danish SCU following the investigations in relation to the non-resident portfolio at Danske Bank's former Estonia branch.

In relation to the resolutions with the U.S. authorities, Danske Bank has pleaded guilty to a criminal charge from DoJ of conspiracy to commit bank fraud, which has today been approved by a U.S. District Court. Furthermore, Danske Bank has agreed to settle a civil securities fraud action with the SEC.

Under the SCU resolution, Danske Bank has agreed to accept a fine and confiscation for violations of the Danish AML Act and the Danish Financial Business Act.

The aggregate amounts payable to the US and Danish authorities total USD 2.06 billion (~ DKK 15.3 billion – hedged following the provision) and is comprised of forfeiture, fine, disgorgement and confiscation. This is covered by the provisions booked in connection with our financial results for the third quarter of 2022 and the third quarter of 2018. Reflecting cross-crediting arrangements between the three authorities as well as currency conversions, the amounts payable to the authorities are as follows:

- DoJ: USD 1,209 million
- SEC: USD 178.6 million
- SCU: DKK 4,749 million

Danske Bank accepts and agrees to the terms of the resolutions, and as a result of the resolutions, the investigations by U.S. and Danish authorities are now closed as to Danske Bank. As part of Danske Bank’s plea agreement with the DOJ, Danske Bank will be placed on probation for three years. Since learning of the investigations, Danske Bank has cooperated with the DoJ, SEC, and SCU. Furthermore, as ordered by the Danish FSA, Danske Bank has an independent expert monitoring the implementation of its financial crime plan, and in consequence, the DoJ has not imposed its monitor at this point in time.

“The resolutions mark the end of the investigations into Danske Bank by US and Danish authorities. We have cooperated since we were approached by the authorities and accept the terms of the resolutions. We offer our unreserved apology and take full responsibility for the unacceptable failures and misconduct of the past, which have no place at Danske Bank today. We have learnt from our mistakes and we have taken the steps necessary to ensure that Danske Bank has robust measures in place to do everything possible to prevent these failures taking place again,” says Martin Blessing, Chairman of the Board of Directors.

Fighting financial crime is a key priority

The fight against financial crime is a key priority for Danske Bank. Danske Bank has made significant investments to ensure that a robust, well-resourced and expert compliance function is in place across our operations to effectively combat financial crime. The actions taken include the following:

All banking operations in the Baltic countries ceased in 2019: Danske Bank closed down all its banking activities in the Baltic countries and in Russia in February 2019 in order to focus its efforts on supporting the economies and communities in its core Nordic markets.

Building a strong compliance culture: This includes a considerable expansion of internal training in anti-money laundering measures, building a new compliance culture and mandatory whistleblower training as well as implementing risk management and compliance in the performance agreements of all members of the Executive Leadership Team and relevant senior managers. This cultural development, which among other things is cultivated through a clear tone from the top, is also aimed at fostering a shared mindset under which employees always think about doing the right business with the right people in the right way.

Investments into employees and new IT systems: From 2018 and until the end of 2022, Danske Bank will have invested approximately DKK 12 billion (approximately EUR 1.6 billion) in maintaining and improving the overall financial crime risk management framework, including AML controls, and we will continue to invest in this area. During this period of significant remediation, we have allocated considerable resources to this work, and today, Danske Bank has 3,600 full-time employees working to fight financial crime.

Strengthened organisation and updated procedures: Danske Bank has introduced new initiatives and procedures designed to ensure that indications of potentially problematic issues are investigated appropriately to strive for transparency and completeness in Danske Bank's interaction with the supervisory authorities and timely and accurate reporting. Danske Bank has also strengthened the processes of preparing and approving public disclosures made by Danske Bank ensuring improved controls and risk management. Furthermore, we have introduced a control framework dedicated to strengthening the accuracy of representations made to our correspondent banking partners.

“At Danske Bank we have taken significant learnings from the regrettable failures of the past. Our focus has been on systematically addressing the root causes that led to these unacceptable breaches of everything we want to stand for as a bank. We have made significant investments in building systems and upgrading our compliance, risk and control capabilities, and we are actively nurturing a culture under which employees can speak up if they see actions that may not meet our standards.”

The financial impact communicated in connection with our financial results for the first nine months of 2022 provided clarity for Danske Bank's employees, our customers and our investors, and with the resolutions today, we are now able to provide full clarity and a conclusion to the investigations relating to the Estonia case,” says Carsten Egeriis, CEO of Danske Bank, and continues:

“Our transformative change, both at an operational and at a cultural level, has moved us to a much stronger position today. We are focused on preventing these deeply regrettable failures from ever happening again and delivering on our longer-term strategic objectives with expert advisory services, strong digital solutions and sustainable finance at the core of our business.”

Financial and capital-related implications

As previously communicated in connection with our financial results for the first nine months of 2022, the Board of Directors decided to cancel the remaining dividend for 2021, and the Board of Directors will propose to the annual general meeting that no dividend be paid out for 2022. As at the end of the third quarter of 2022, Danske Bank remained sufficiently capitalised, also for upcoming regulatory capital requirements, with a CET1 capital ratio of 16.9%.

The financial outlook for 2022 has been adjusted. Due to the impact of the final settlement amount, we now expect a net loss better than DKK 5.3 billion.

For our 2023 financial ambitions, we maintain our ambition of a return on equity of 8.5 to 9 percent in 2023, however, now at the upper end of the range.

Specific guidance for 2023 will be provided in connection with the Annual Report for 2022 on 2 February 2023.

About the legal process

The plea agreement reached with the DoJ has been approved by the U.S. District Court. Sentencing will take place at a later date.

The SEC complaint will be filed with the U.S. District Court and will await entry of the agreed final judgment in accordance with the written consent of Danske Bank.

The agreement with the SCU will form the basis for a hearing at the City Court of Copenhagen (to be scheduled) at which Danske Bank will accept the charges, the fine and the confiscation.

As we have stated previously, Danske Bank remains subject to ongoing civil litigations, which are not included in today's resolutions. Danske Bank will continue to vigorously defend itself against these claims.

More information

- Read the full resolution from the U.S. Department of Justice here: <https://danskebank.com/-/media/danske-bank-com/file-cloud/2022/12/doj-plea-agreement-and-information.pdf>
- Read the full resolution from the Danish Special Crime Unit here: <https://danskebank.com/-/media/danske-bank-com/file-cloud/2022/12/scu-fine-notice-eng.pdf>
- Read more about the Estonia case here: <https://www.danskebank.com/about-us/corporate-governance/resolution-in-terms-of-the-estonia-matter>
- Read more about Danske Bank's efforts to fight financial crime here: <https://danskebank.com/about-us/corporate-governance/compliance/fighting-financial-crime>

Danske Bank

Contact: Stefan Singh Kailay, Head of Media Relations, tel. +45 45 14 14 00