

Danske Bank Lithuania

Financial results – first nine months of 2015

DANSKE BANK LITHUANIA SERVES BOTH RETAIL AND CORPORATE CUSTOMERS IN LITHUANIA. ACTIVITIES RELATED TO CORPORATE CUSTOMERS AND PRIVATE BANKING CUSTOMERS ARE REPORTED AS CORE ACTIVITIES. ACTIVITIES RELATED TO OTHER PERSONAL CUSTOMERS ARE NOT REPORTED IN THIS PRESS RELEASE. IN ADDITION TO BANKING ACTIVITIES, SINCE NOVEMBER 2012 THE UNIT HAS PROVIDED SHARED SERVICE CENTRE SERVICES TO DANSKE BANK. IN OCTOBER 2014, A DANSKE BANK GROUP IT CENTRE WAS ESTABLISHED IN LITHUANIA. DANSKE BANK LITHUANIA HAS NINE REGIONAL BRANCHES.

UAB DANSKE LIZINGAS PROVIDES FINANCIAL LEASING SERVICES.

DANSKE BANK LITHUANIA AND UAB DANSKE LIZINGAS EMPLOY 1,292 FULL-TIME STAFF, 999 OF WHOM WORK AT THE SHARED SERVICE CENTRE AND IN IT SERVICES. CORE BANKING ACTIVITIES EMPLOY 171 FULL-TIME STAFF.

THIS PRESS RELEASE REPORTS ON THE RESULTS OF THE CORE BANKING ACTIVITIES OF DANSKE BANK LITHUANIA AND UAB DANSKE LIZINGAS.

DANSKE BANK IS THE LARGEST BANK IN DENMARK AND ONE OF NORTHERN EUROPE'S LEADING FINANCIAL INSTITUTIONS. DANSKE BANK'S CURRENT RATINGS:

	MOODY'S	S&P	FITCH
LONG-TERM	A2	A	A
SHORT-TERM	P-1	A-1	F1

Danske Bank Lithuania's core financial results

- Profit before tax for core activities fell 11% to EUR 12.5 million.
- Total income fell 18% to EUR 16.2 million.
- Expenses increased 14% to EUR 8.4 million.
- Reversals of impairment charges rose to EUR 4.7 million
- Deposit/loan ratio: 150%

CORE BANKING LITHUANIA (EUR millions)	Q1-Q3 2015	Q1-Q3 2014	Index 15/14
Net interest income	11.4	13.4	85
Net fee income	3.0	3.5	86
Net trading income	1.7	2.7	63
Other income	0.1	0.1	100
Total income	16.2	19.7	82
Operating expenses	8.4	7.4	114
Profit before loan impairment charges	7.8	12.3	63
Loan impairment charges	-4.7	-1.7	276
Profit before tax	12.5	14.0	89
Tax	2.0	2.0	100
Net profit for the period	10.5	12.0	88
Loans (end of period)	545	581	94
Deposits (end of period)	819	879	93

In the first nine months of 2015, Danske Bank Lithuania's profit before loan impairment charges for core activities was EUR 7.8 million (against EUR 12.3 million a year before). There was a further improvement in the impaired loan portfolio, with a reversal of some EUR 4.7 million of previously recognised impairment charges (EUR 1.7 million). The pre-tax profit was EUR 12.5 million (EUR 14 million).

Total income fell 18% from the year-earlier level, mainly because of a decline in net interest income and trading income. Falling market interest rates led to a 15% drop in net interest income. Fee income declined 14% because of the introduction of the euro in Lithuania. Net trading income was 37% lower owing to lower trading activities in the market and lower interest rates.

Operating expenses increased 14% to EUR 5.7 million, mainly because of higher IT development costs, including the costs of the initial stage of the new IT system implementation project. The cost/income ratio was 52% (38%).

“Lithuania continues to feel the negative effect of the drastic fall in exports to Russia,” says Gintautas Galvanauskas, CEO of Danske Bank Lithuania. “Economic growth slowed to 1.4% from 3.3% a year earlier. However, the downturn remains limited to the agricultural and food processing industries, while the transport sector has largely managed to avoid significant losses. Most of the other manufacturing sectors are growing at very healthy rates, often above 10% y/y.

“Danske Bank analysts therefore forecast average annual GDP growth in Lithuania in 2015 at 1.8 %. Depending on how well the Lithuanian food industry manages to sustain its gains in the new export markets, we should return to GDP growth levels of 2.4-2.7% in the first half of 2016.

“In the most recent quarter, we have taken a significant step in executing Danske Bank’s strategy – focusing all our efforts on fulfilling the needs of our international and local corporate customers. On September 22, the bank concluded an agreement on the transfer of its personal banking business to Swedbank.”

Danske Bank Lithuania’s core activity deposit portfolio fell 7%, although it remains high. The loan portfolio declined 6% over the year.

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Danske Bank Group’s financial results

Danske Bank today announced its financial results for the first nine months of 2015. For more information, please go to www.danskebank.com/reports.