

# DNB on track

Rune Bjerke  
CEO

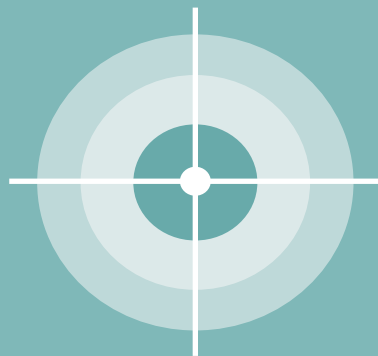
DNB



# Financial ambitions - 2016 and 2017

Return on equity

> 12 per cent



Min. 14% CET1-ratio\*

as capital plateau

> 50% dividend

when capital plateau is reached

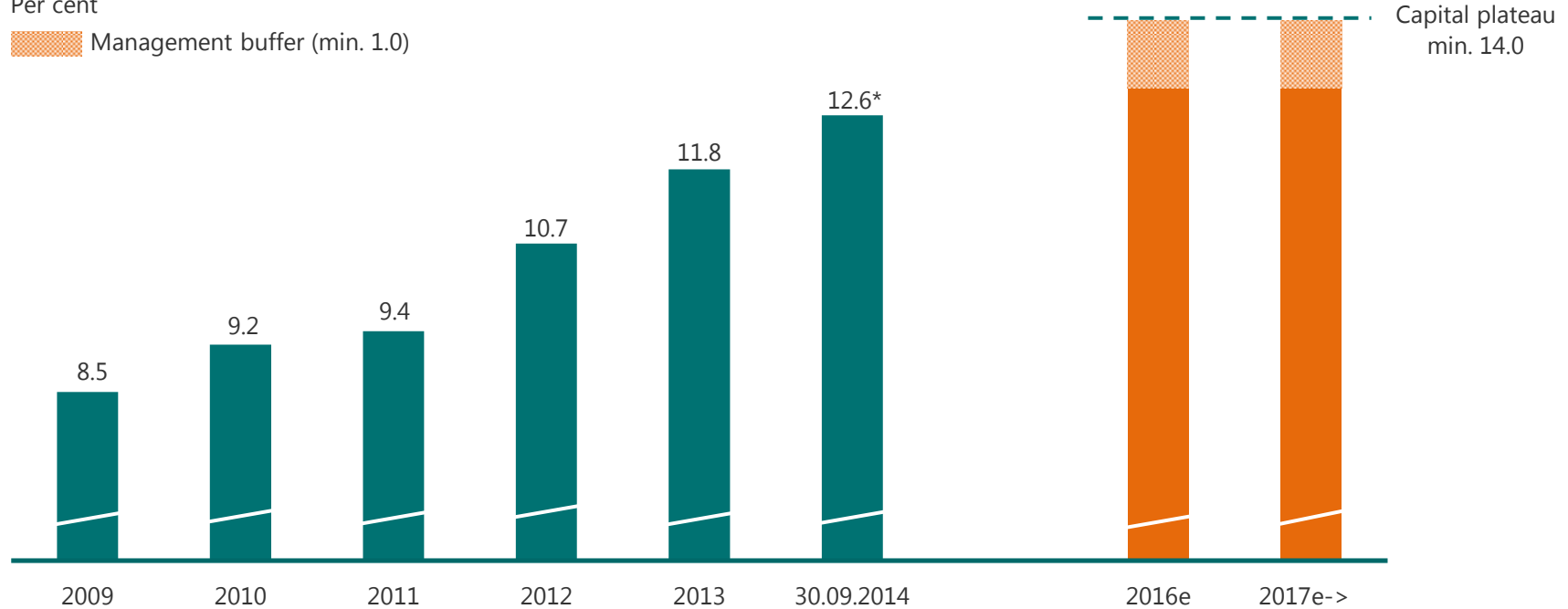
# Capital generation ahead of plan

– expecting to reach the capital plateau in 2016 at the latest

## CET1 capital ratio - transitional rules

Per cent

Management buffer (min. 1.0)



# Increasing our payout ratio

**Dividend ambition during the capital build-up period**

$\geq 25$  per cent

A gradual return to long-term ambition.  
Intention to start in 2014

**Long-term ambition when capital plateau is reached**

$> 50$  per cent

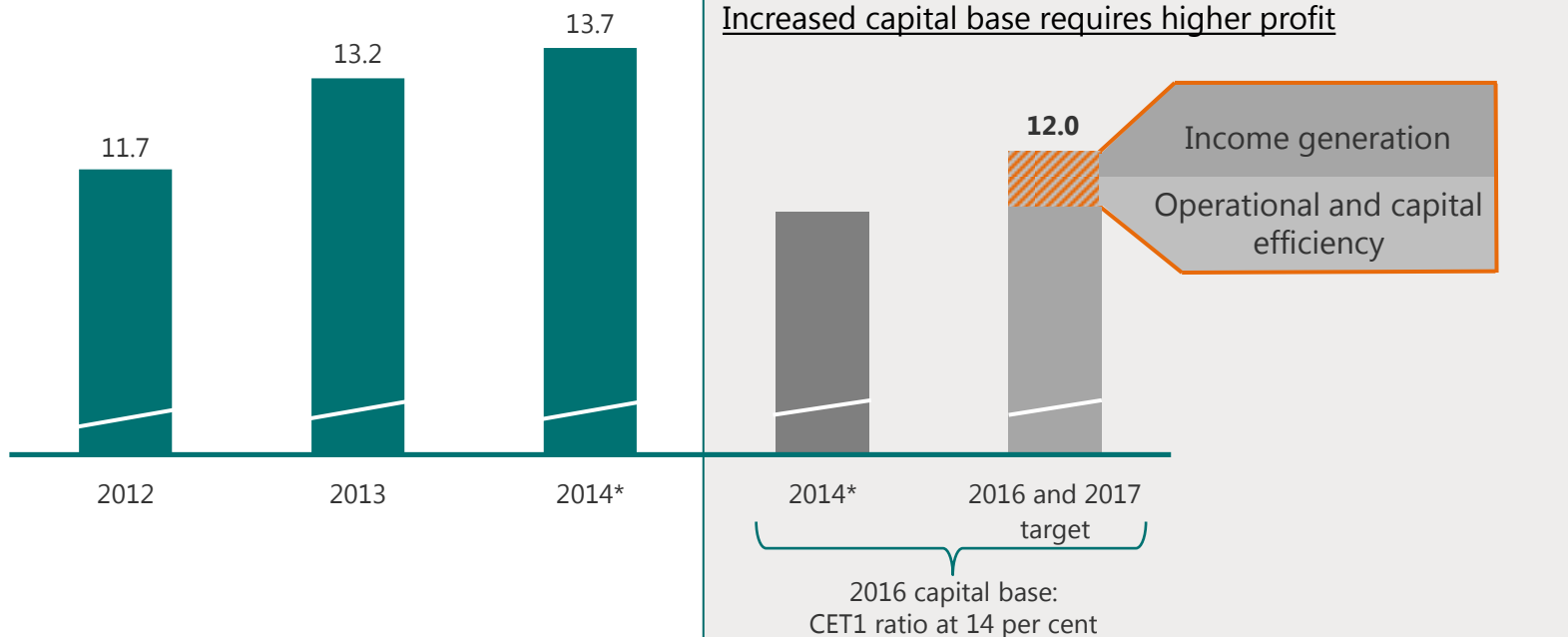
Potentially in combination with buybacks when dividend payout ratio exceeds 50 per cent

# Committed to deliver on our ROE target

– despite increased capital level

## Return on equity

Illustration, per cent

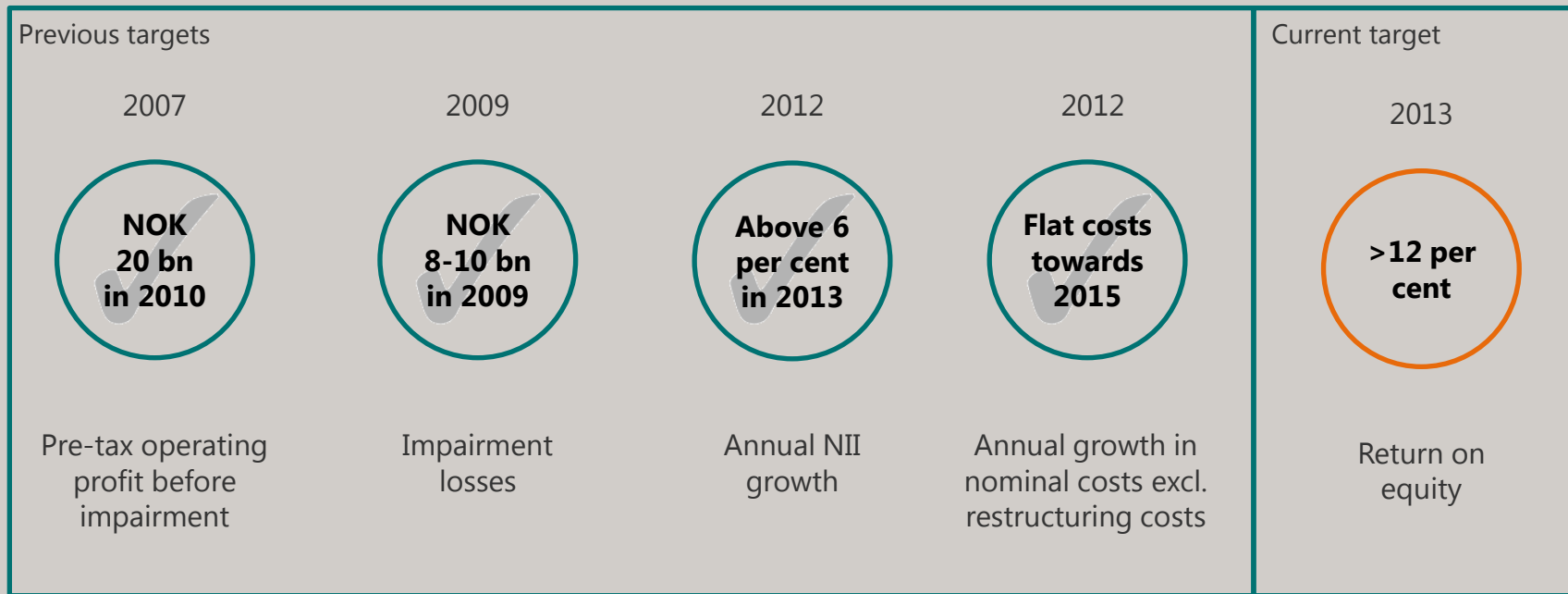


Five reasons to choose DNB towards 2017 and beyond



# ① Proven financial track record

DNB has delivered in the past

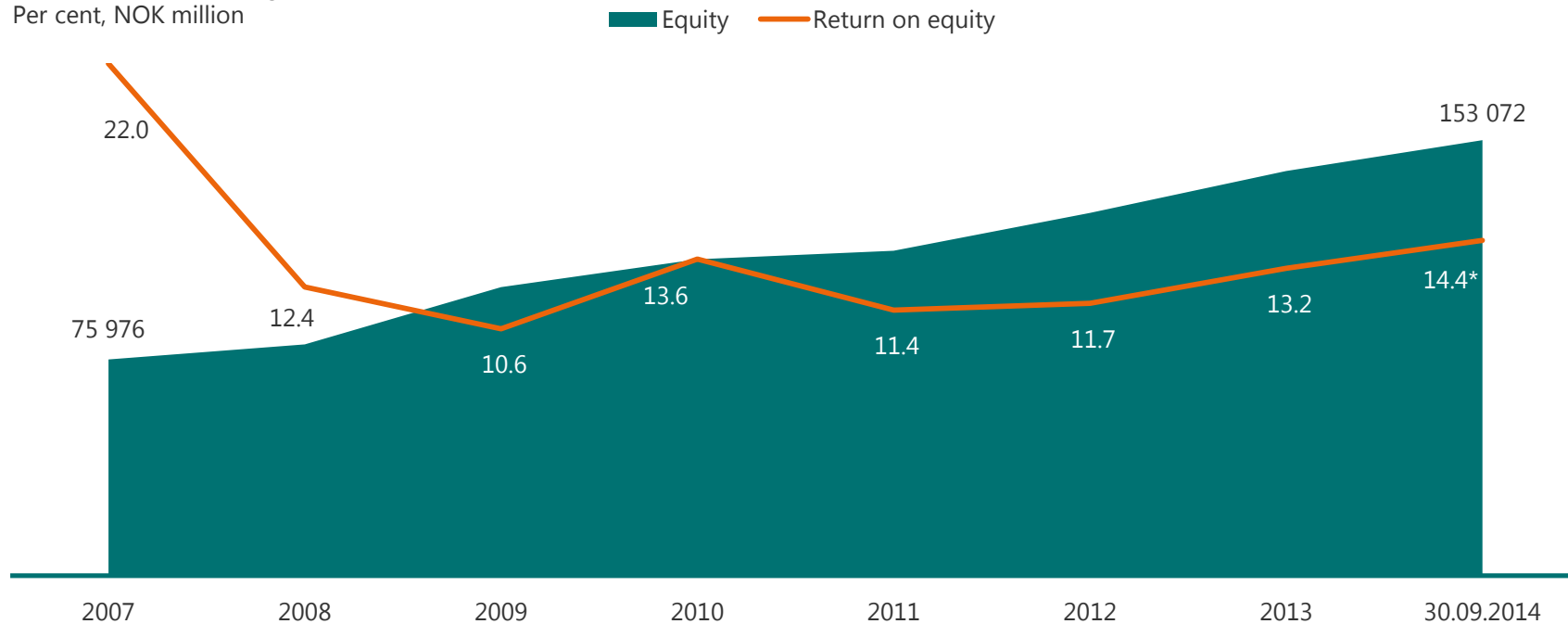


# Stable double-digit return in a challenging period with strong capital accumulation



## Return on equity

Per cent, NOK million

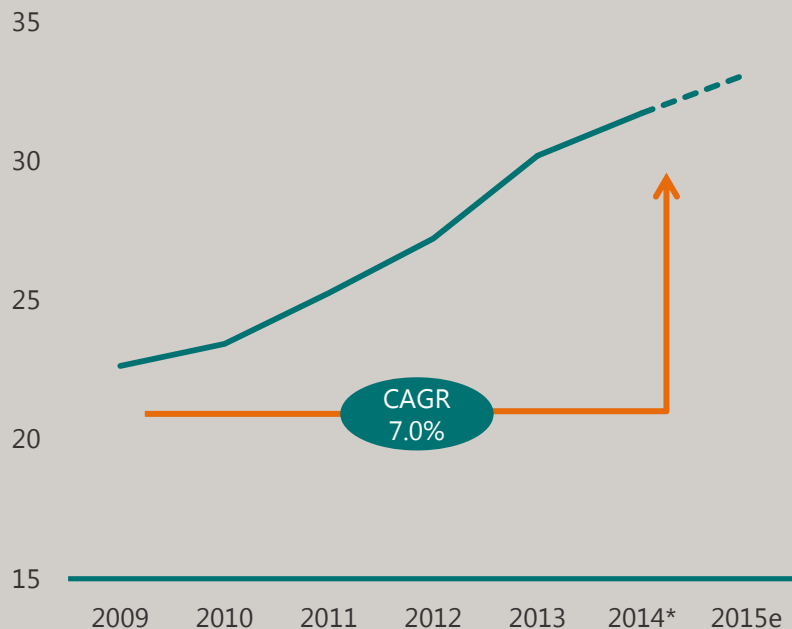


## ② Prudent growth in quality earnings

### Continued growth in net interest income

#### Net interest income

NOK billion



#### Net interest income expectations

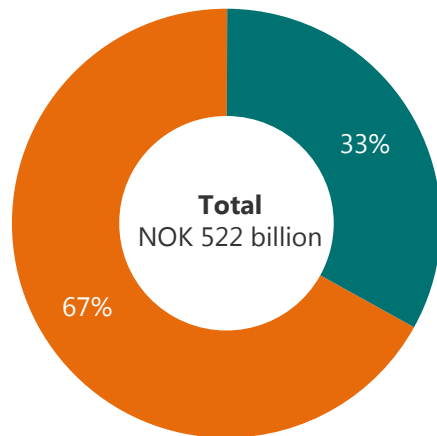
- Stable development in volume-weighted spreads
- Lending volume is expected to grow at around 3-4 per cent annually



# Deposit repricing potential across customer segments

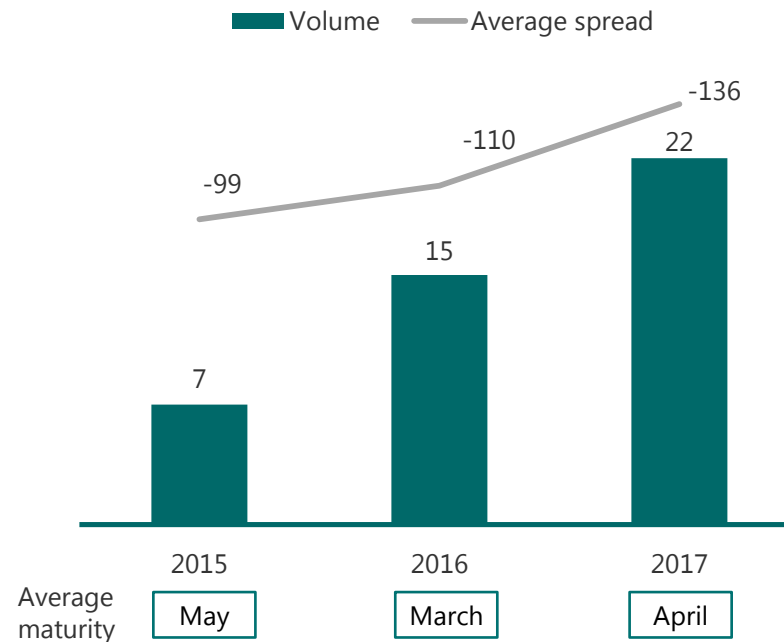
## Deposits in Personal banking and SMEs

- Deposits with repricing potential
- Low-yielding deposits / other



## LCI\* maturing volumes and spreads public clients

NOK billion, bps

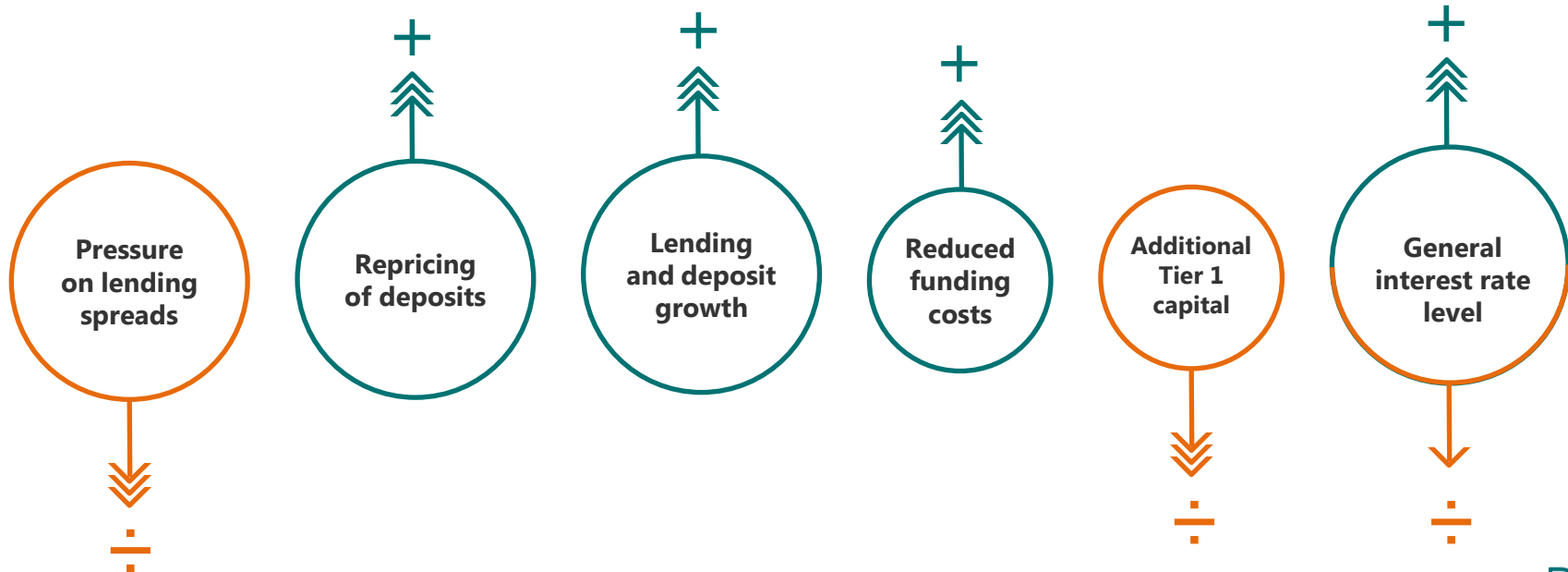




# Multiple factors influence the level of NII growth

## Elements affecting net interest income

  
Scope of impact

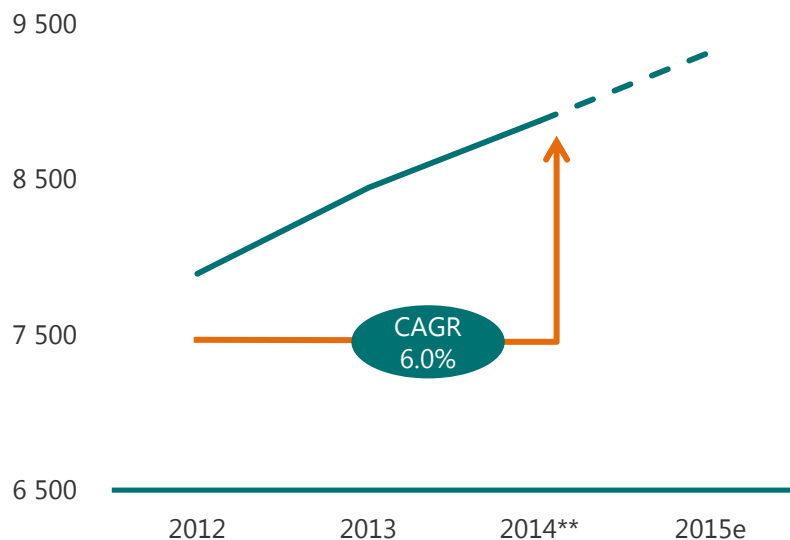




# Net commissions and fees are increasingly important

## Net commissions and fees\*

NOK million, per cent



## Expectations for net commissions and fees

- Underlying growth of 5 per cent

## Expectations for other non-interest income

- **Life insurance:** contribution above NOK 300 million per quarter
- **Non-life insurance:** positive trends in cross-sales to households
- **Net gains:** lower non-recurring income



# Several areas with untapped potential

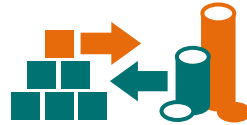
– capital-light commissions and fees



Real estate broking



Investment banking



Trade finance



Defined contribution



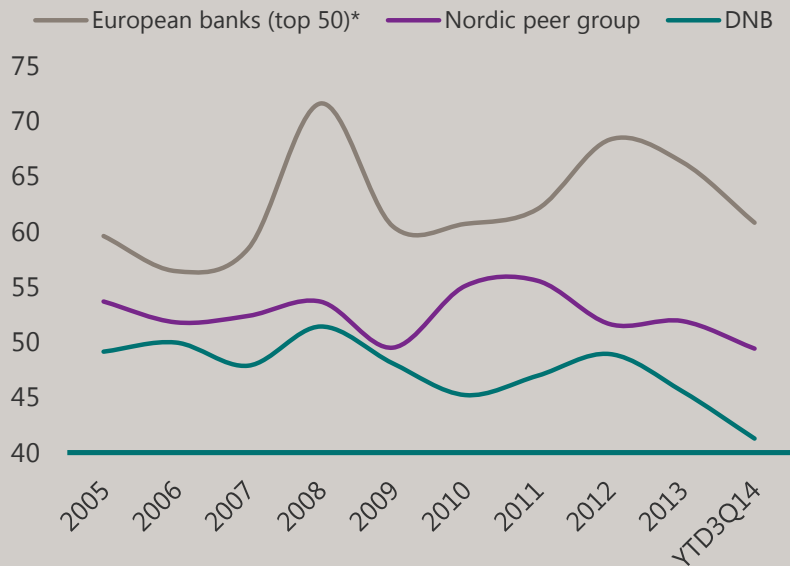
Private Banking

### ③ Best-in-class cost efficiency

## Increasing our cost/income ambition

### Cost/income DNB vs peer groups

Per cent



### Cost/income ambition for 2017

Per cent

From below

45 per cent  
to  
~40 per cent

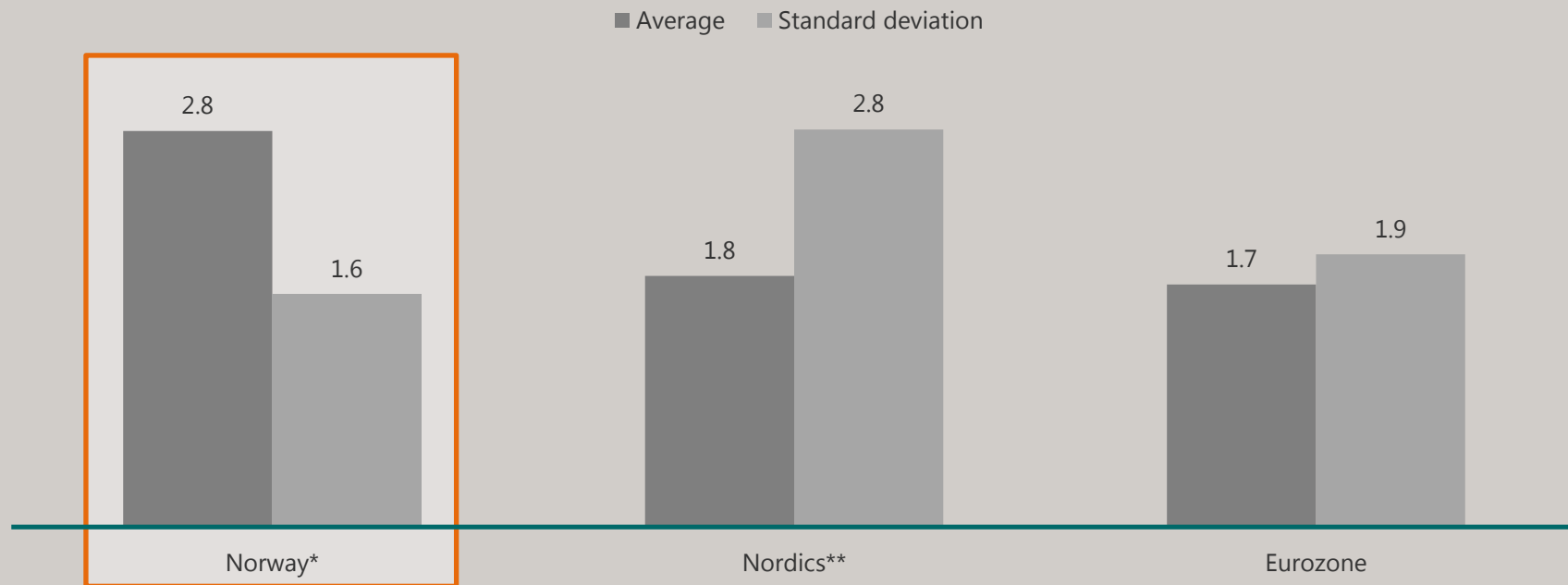
Flat nominal costs throughout 2015  
(excluding restructuring costs)

## ④ Operating in a strong Norwegian economy

Norway has performed well throughout the cycle  
– higher and more stable GDP growth

### Historical average real GDP growth and standard deviation

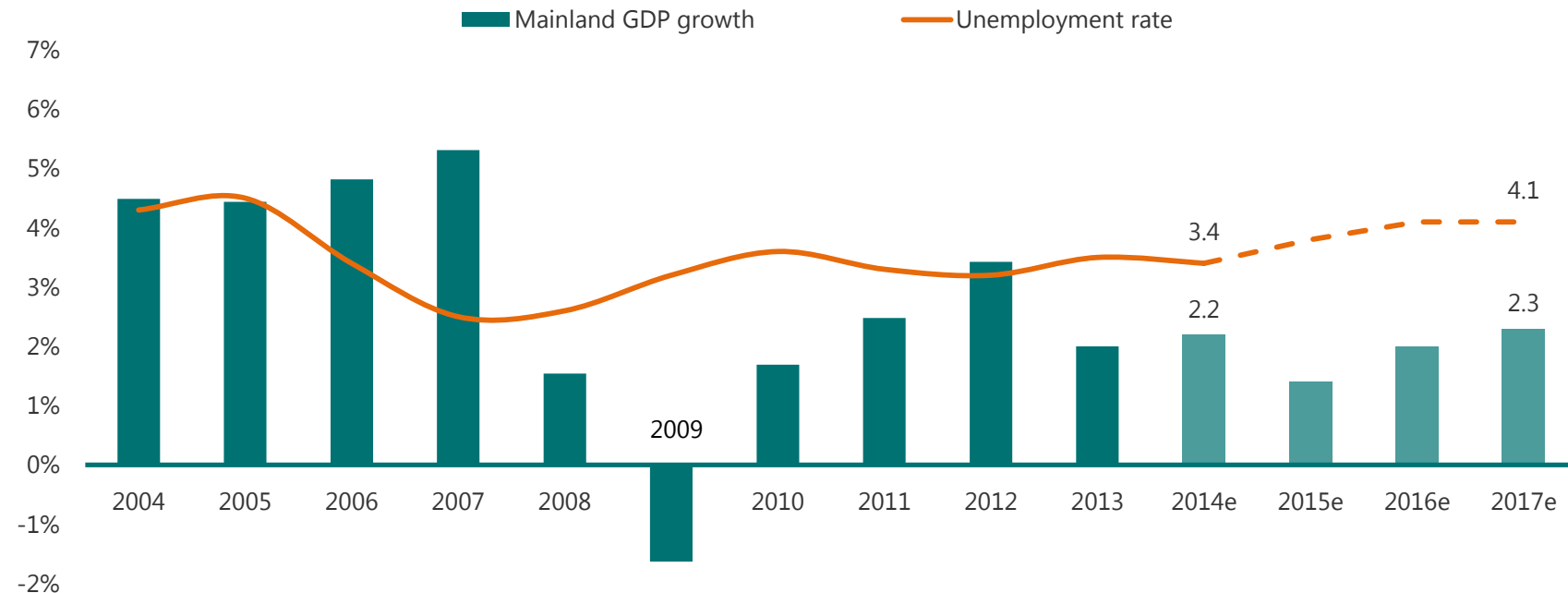
1990–2013, per cent



# Slower speed ahead – still GDP growth at around 2 per cent

## GDP growth and unemployment

Year on year, per cent





# Substantial petroleum investments despite lower oil price

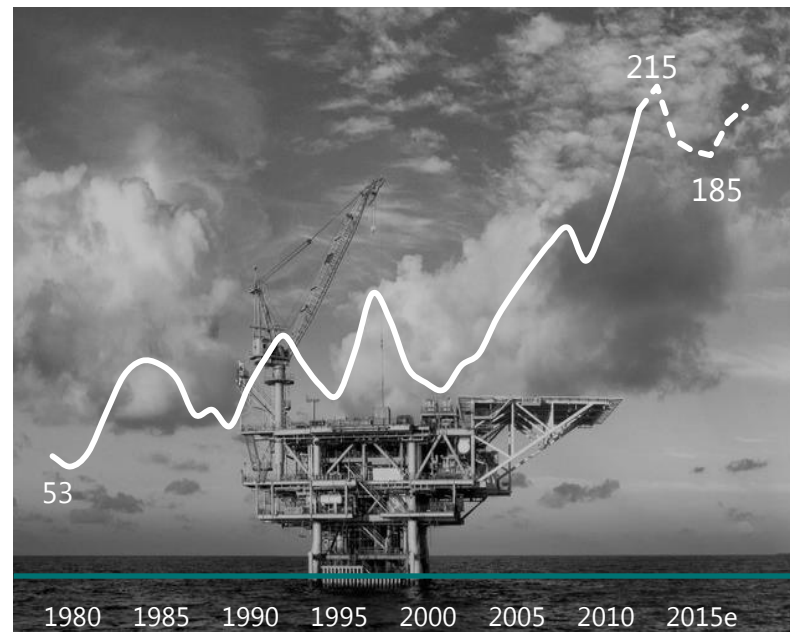
## Long-term oil price forecast

US \$ per barrel



## Norwegian petroleum investments

2013 prices, NOK billion

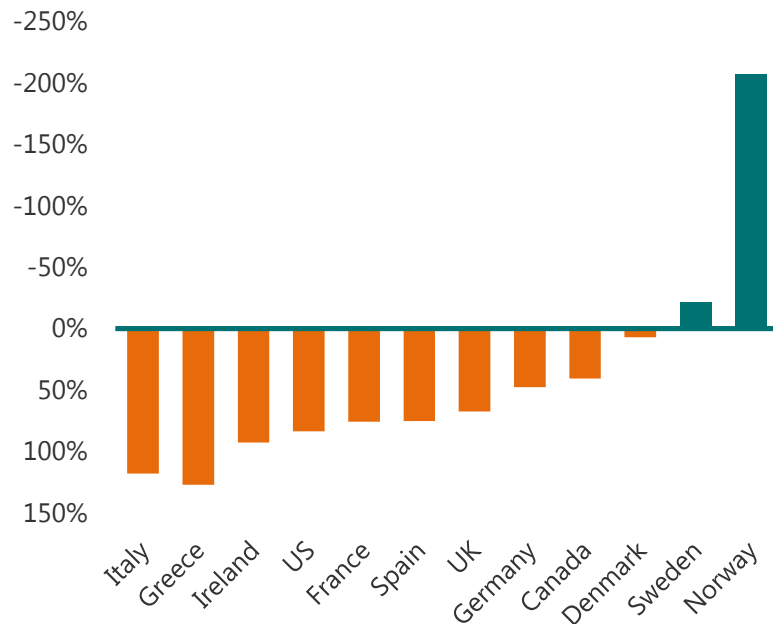




# From natural resources to financial wealth

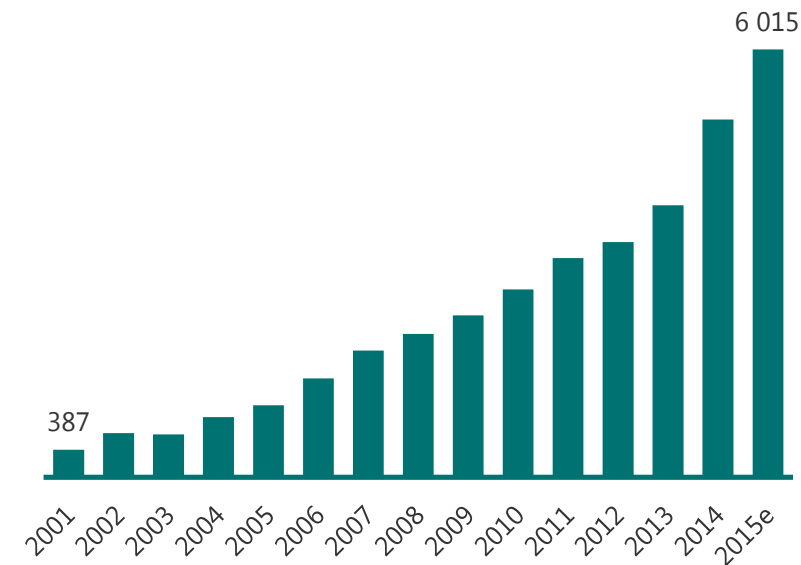
## General government net financial liabilities

Per cent of nominal GDP 2014



## Government Pension Fund Global

Beginning of the year, NOK billion





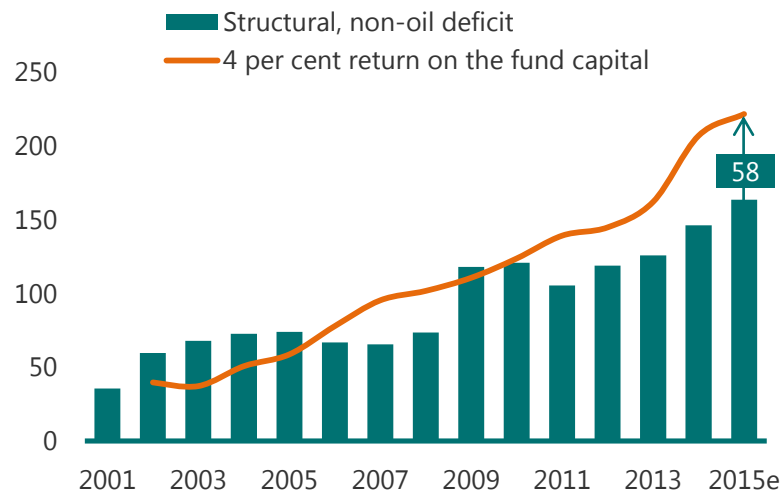
# Two powerful tools to ensure a stable macro development

## Fiscal policy

Large public wealth gives ample leeway to smooth business cycles

### National budget structural, non-oil deficit

2015 prices, NOK billion

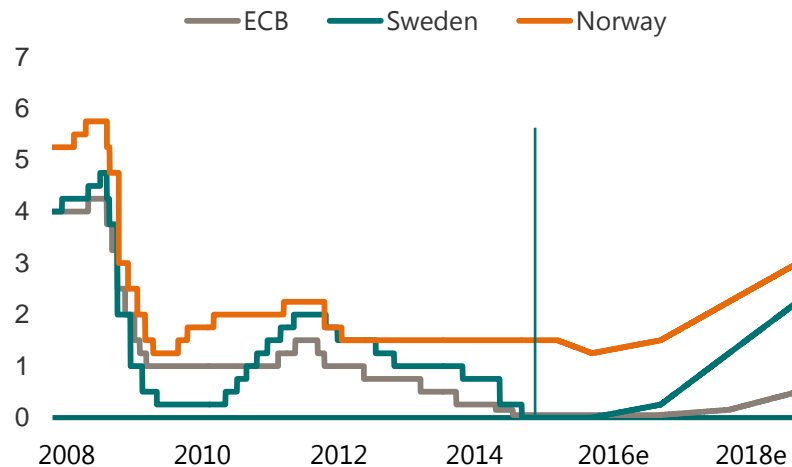


## Monetary policy

Higher interest rates in Norway than in the rest of Europe

### Central bank rates

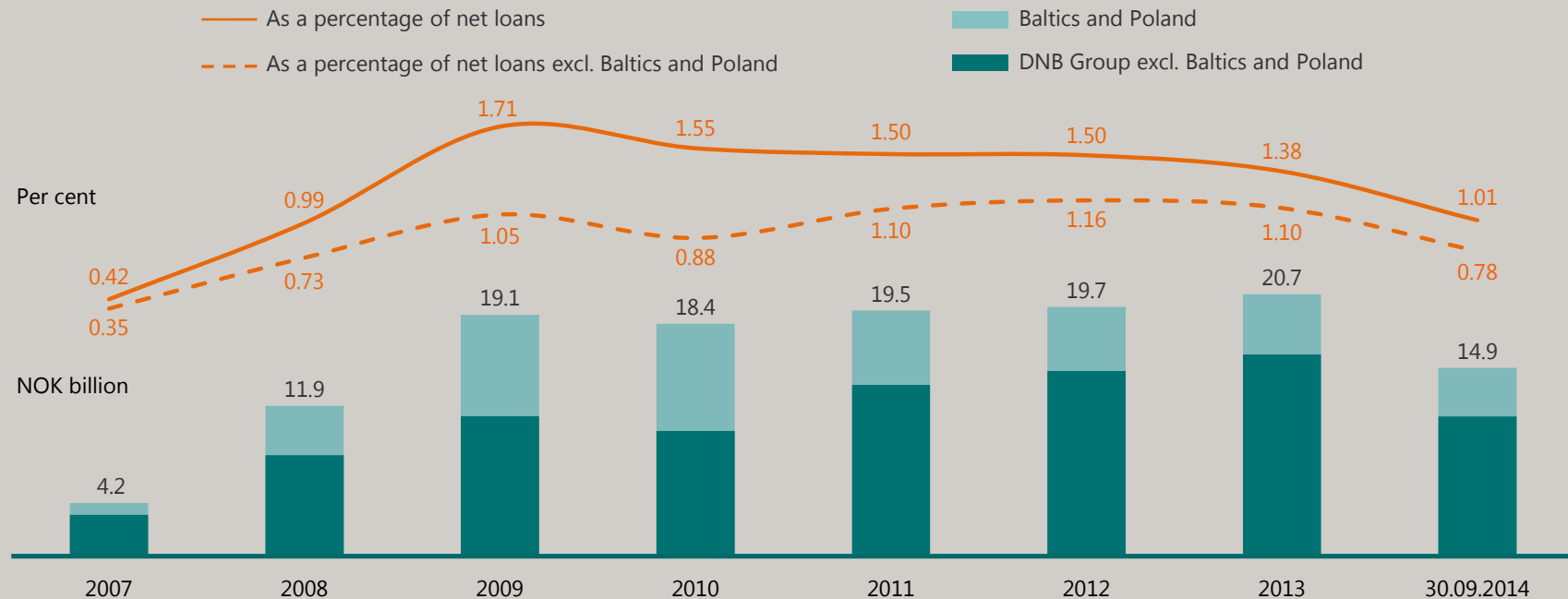
Per cent



## ⑤ Robust asset quality

# Continued reduction in non-performing loans

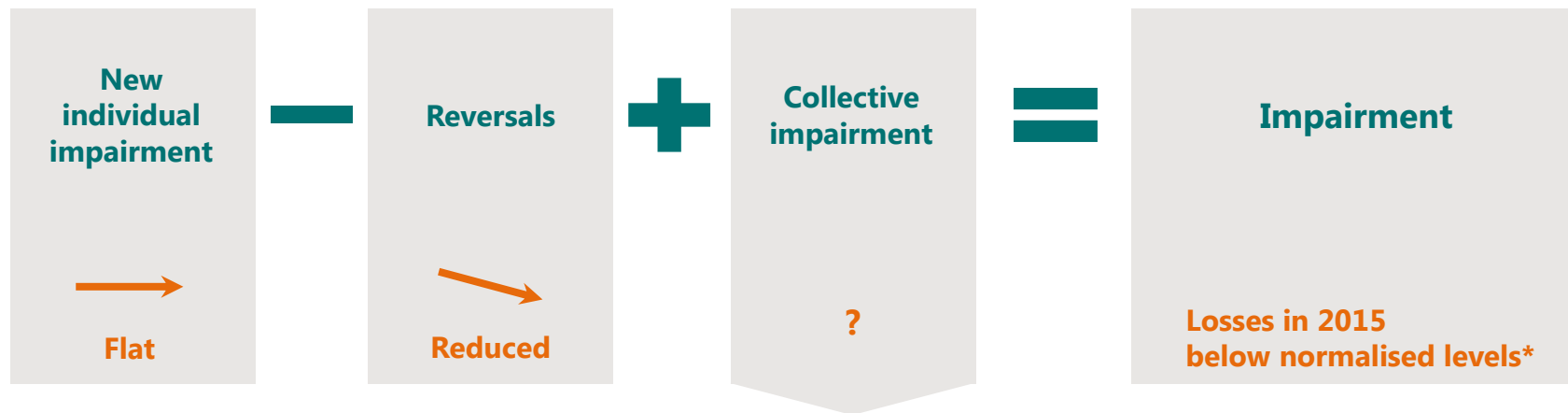
### Net non-performing and net doubtful loans and guarantees





# Impairment expected to stay below normalised levels in 2015

## Expected development in impairment of loans and guarantees 2014-2015



### Key factors affecting collective impairment

- Portfolio migration
- Volume growth
- Sector-specific economic cycles (Clark Sea Index, production gap, housing prices)

# Key takeaways from the CEO

## On track towards 2017 and beyond

- ROE target firm at above 12 per cent
- A step up towards our increased long-term dividend ambition of above 50 per cent

## Delivering on our promises – five reasons to choose DNB

- Proven financial track record
- Prudent growth in quality earnings
- Best-in-class cost efficiency
- Operating in a strong and stable Norwegian economy
- Robust asset quality



## Capital, liquidity and costs

# Supporting a more ambitious dividend level

- Greater regulatory clarity
- Approaching capital requirements
- On track to comply with future liquidity regulations
- Retaining cost leadership

**Bjørn Erik Næss**  
CFO



DNB

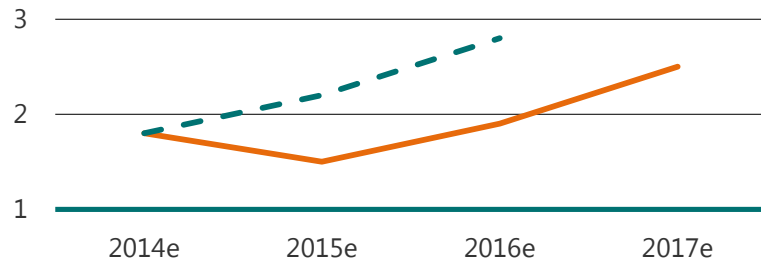
# Weaker NOK and lower interest rates

– adjusted macro parameters from CMD 2013

— CMD 2014 assumptions  
 - - - CMD 2013 assumptions

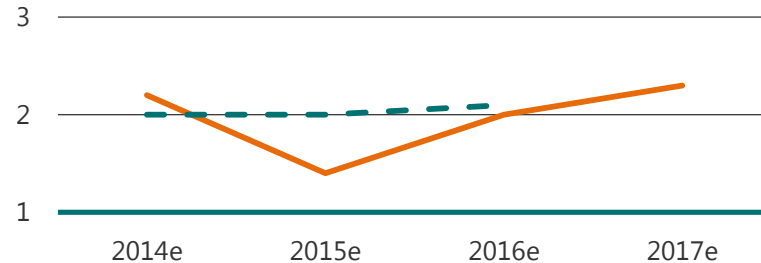
## 3-month NIBOR

Per cent



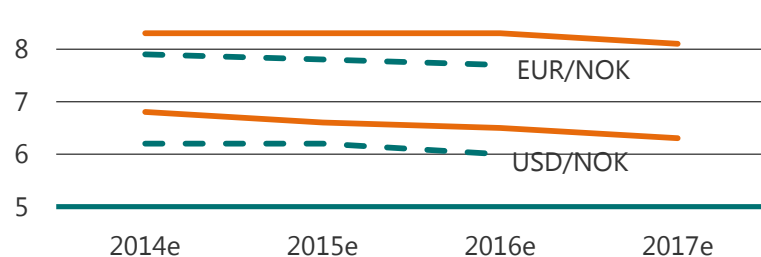
## GDP growth\*

Per cent



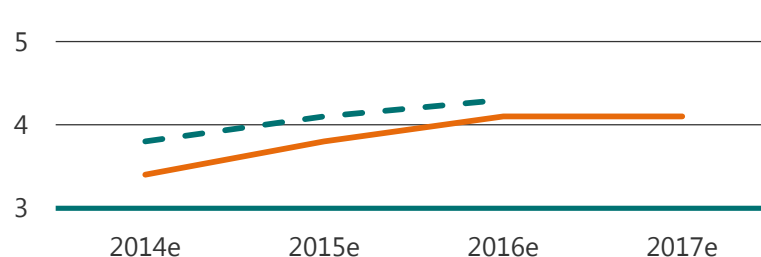
## Exchange rates

EUR/NOK, USD/NOK



## Unemployment rate in Norway

Per cent



# Supporting a more ambitious dividend level

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## Key messages

**Greater  
regulatory  
clarity**

**Approaching  
capital  
requirements**

**On track to  
comply with  
future liquidity  
regulations**

**Retaining  
cost  
leadership**



# Unharmonised capital requirements and definitions

– making direct peer comparisons difficult

## Differences in regulations between DNB/Norway and other Nordic banks

$$\frac{\text{CET1}}{\text{RWA}} = \text{CET1 ratio}$$

**Norway/DNB**

Transitional rules with RWA floors

Several layers of Pillar 1 buffers

**Sweden/peers**




Basel III with IRB

Additional Pillar 2 buffers



# Higher risk weights but lower CET1-ratio hurdle for Norway

## Examples of differences in regulations

<b>Risk weights</b>	<b>Norwegian transitional rules*</b>	<b>Swedish peers Basel III with IRB</b>
 Mortgages	40%	5-12%
 Corporates	80%	25-43%
<b>Capital requirement</b>	<b>DNB</b>	<b>Swedish peers</b>
 2016 CET1 ratio	13.0%	14.7-19.0%



# Clearer regulatory picture

## Important regulatory clarifications

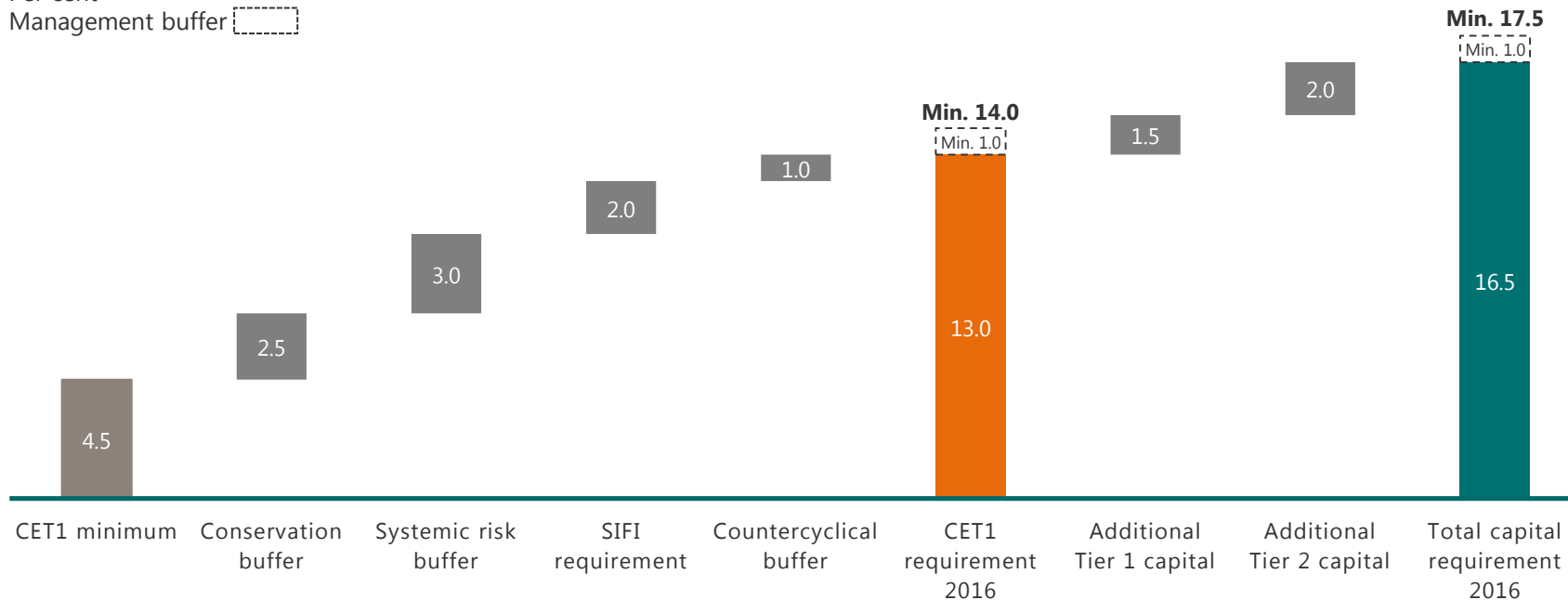
	Clarifications since CMD 2013	Remaining clarifications
Banking regulations	<ul style="list-style-type: none"> <li>• Risk weight for mortgages</li> <li>• Countercyclical buffer (CCB) rate in Norway</li> <li>• SIFI buffer</li> <li>• CRD IV / CRR to be included in the EEA agreement</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage ratio</li> <li>• System for Pillar 2</li> <li>• TLAC requirements</li> <li>• Possible positive impact of CRD IV / CRR inclusion in the EEA agreement</li> </ul>
Liquidity regulations	<ul style="list-style-type: none"> <li>• LCR</li> <li>• Definition of NSFR</li> </ul>	<ul style="list-style-type: none"> <li>• Norwegian LCR</li> <li>• Implementation of NSFR</li> </ul>
Insurance regulations	<ul style="list-style-type: none"> <li>• Guidelines for longevity reserves</li> <li>• Solvency II from 2016</li> <li>• Omnibus II transitional measures</li> <li>• Conversion to paid-up policies with investment choice</li> </ul>	<ul style="list-style-type: none"> <li>• Norwegian implementation of Omnibus II transitional measures</li> </ul>

# CET1-ratio requirement is 13.0 per cent by July 2016

– targeting minimum 1.0 per cent management buffer by year-end 2016

## Expected capital requirement 2016 and beyond

Per cent

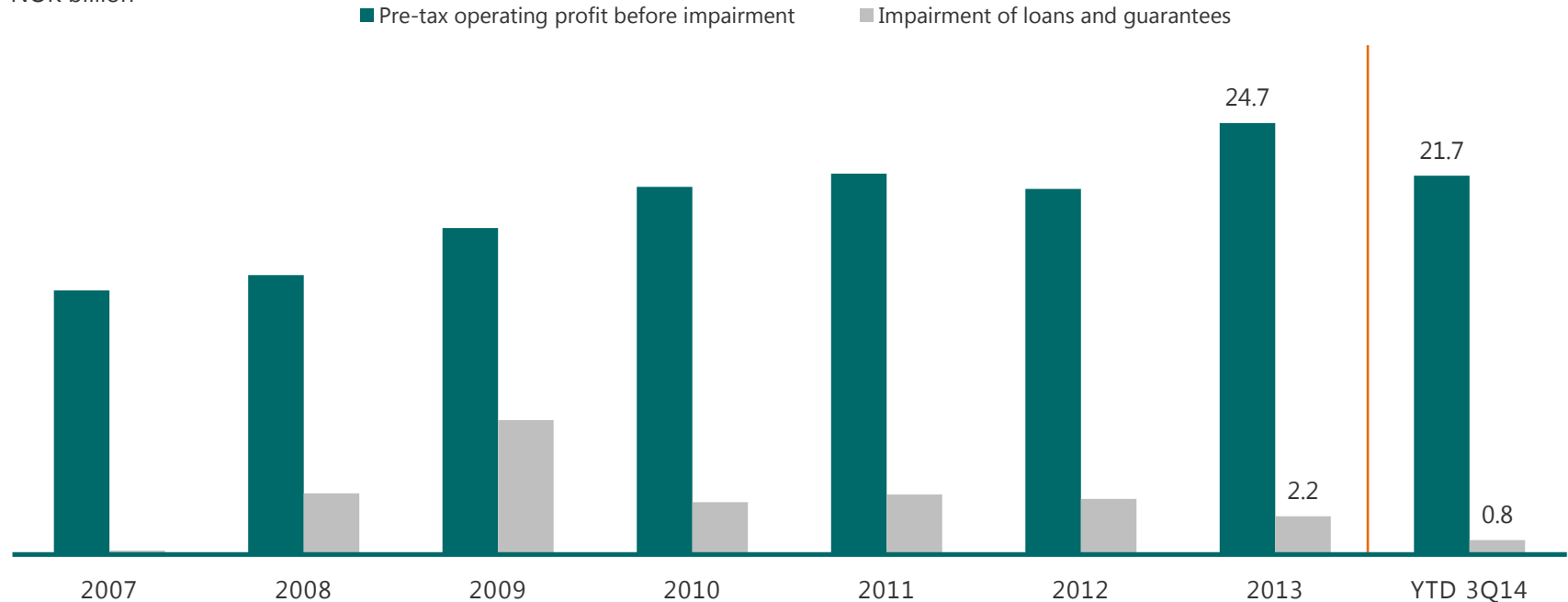
Management buffer  



# DNB delivers healthy profit growth

## Pre-tax operating profit

NOK billion

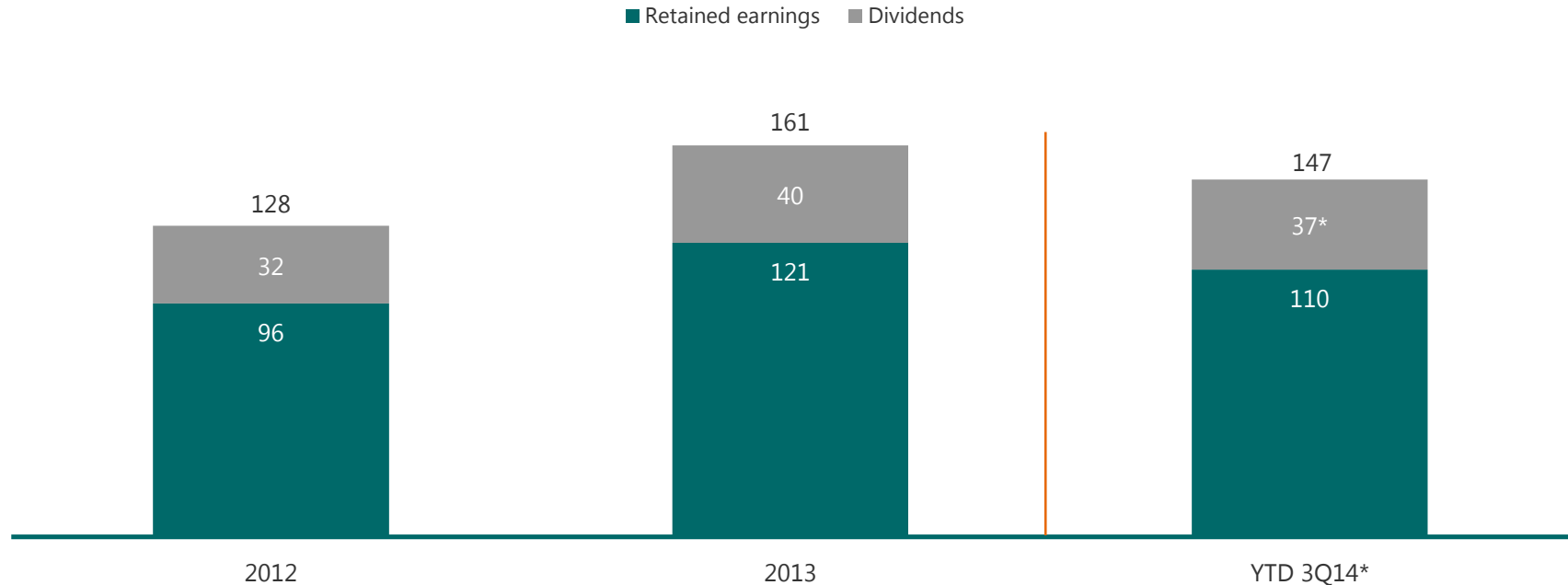




# Healthy profit ensures strong capital generation

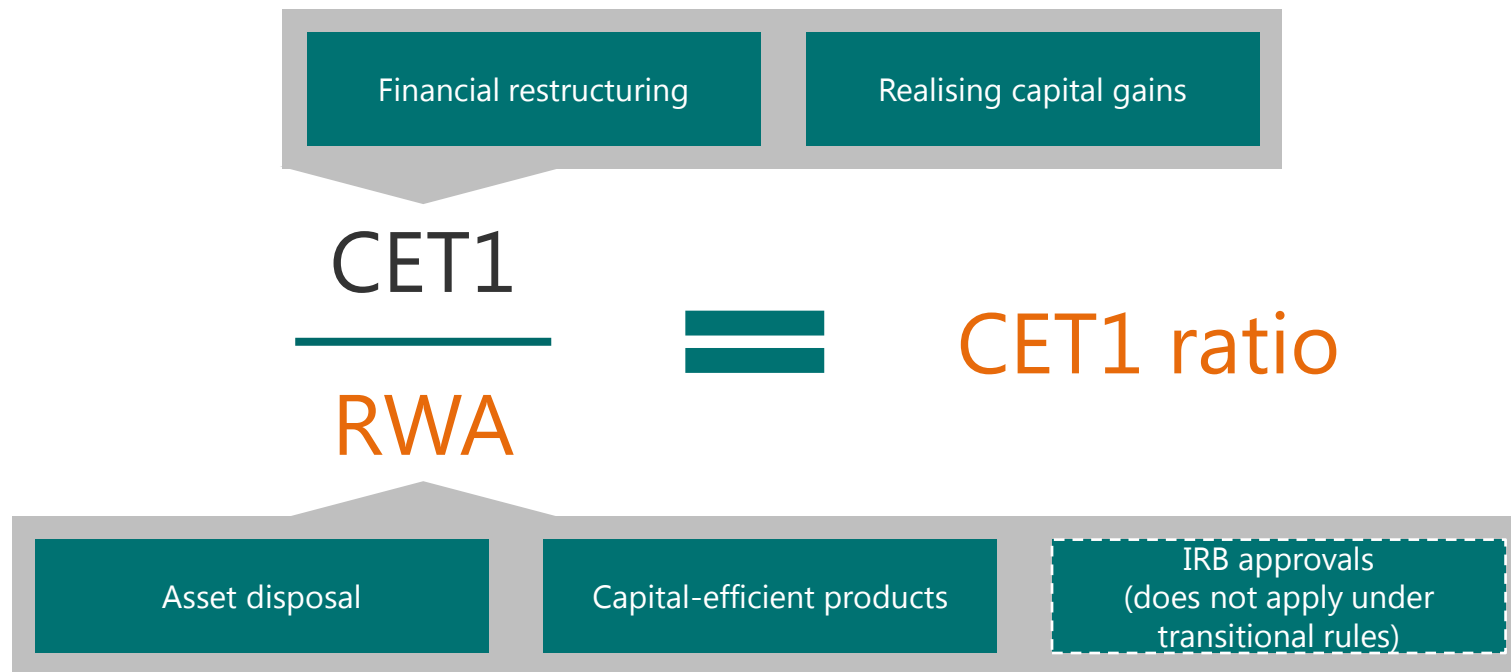
## CET1 ratio contribution based on retained earnings

Basis points (bps) – transitional rules





# Several measures to increase capital efficiency

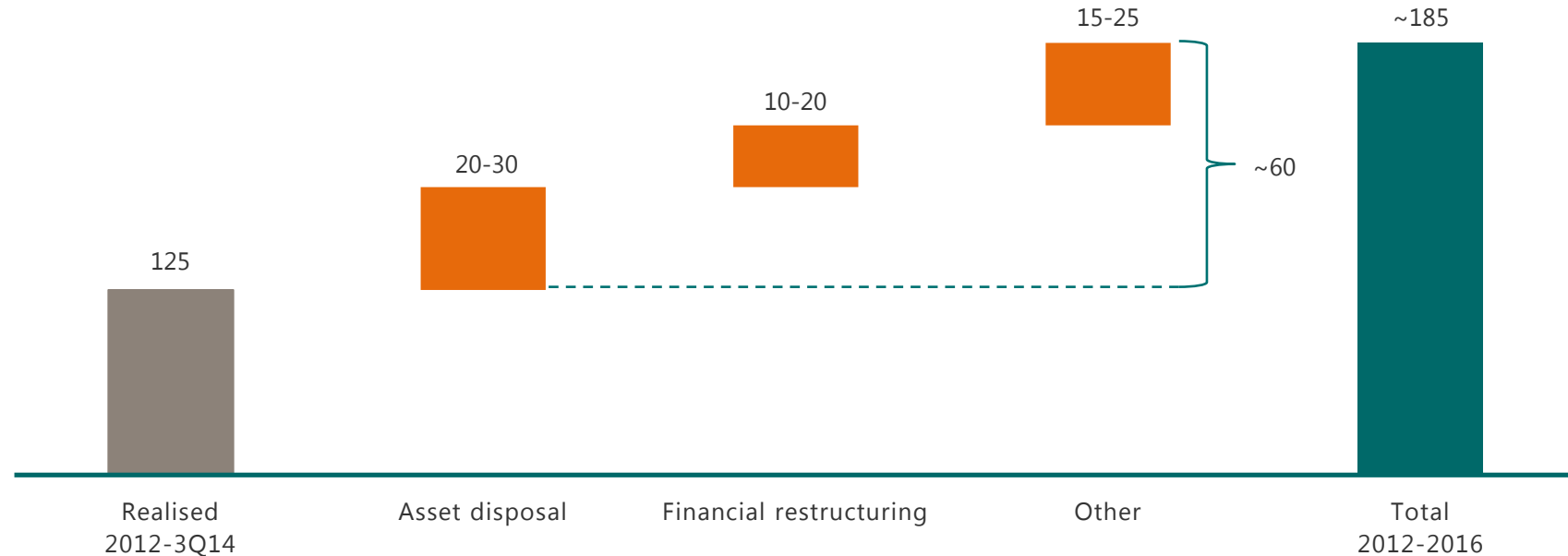


# Building capital through capital efficiency measures

– remaining potential of 60 bps up to 2016 under transitional rules

## Capital build-up through capital efficiency - transitional rules

CET1 effects, bps





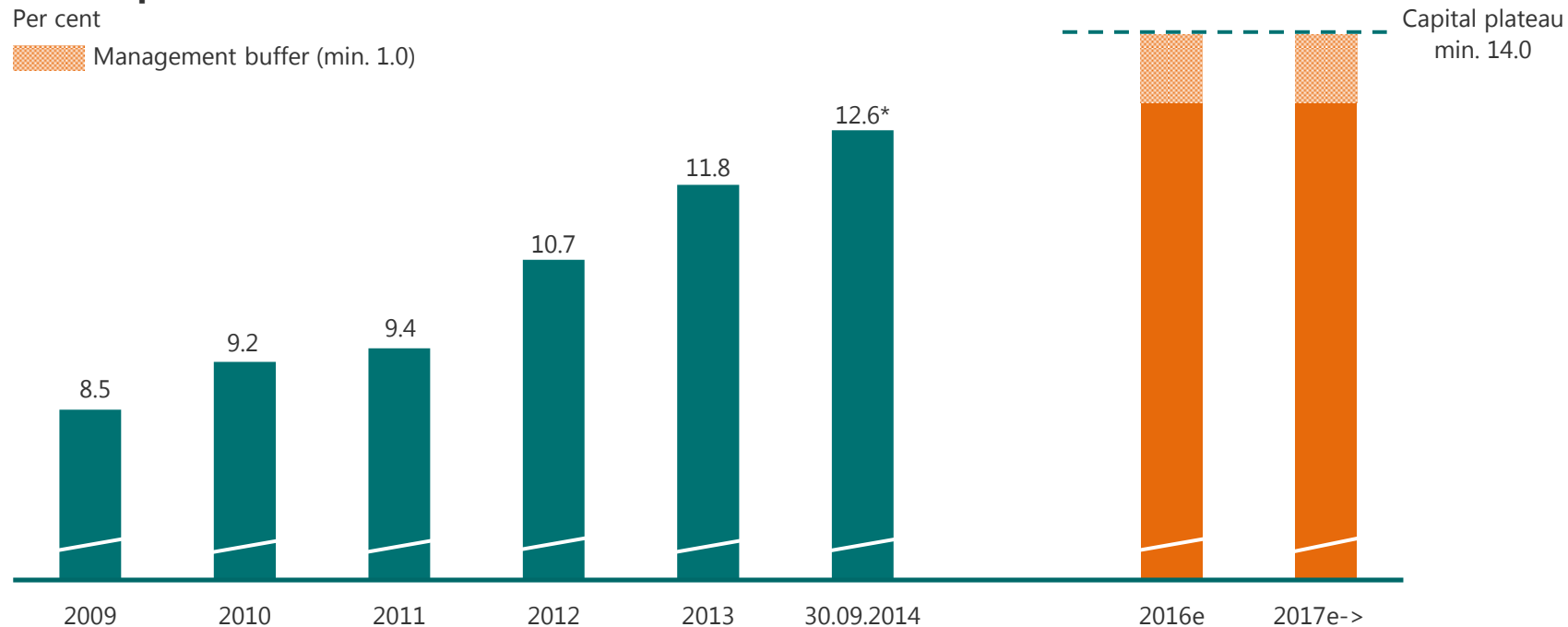
# Capital generation ahead of plan

– expecting to reach the capital plateau no later than 2016

## CET1 capital ratio - transitional rules

Per cent

 Management buffer (min. 1.0)



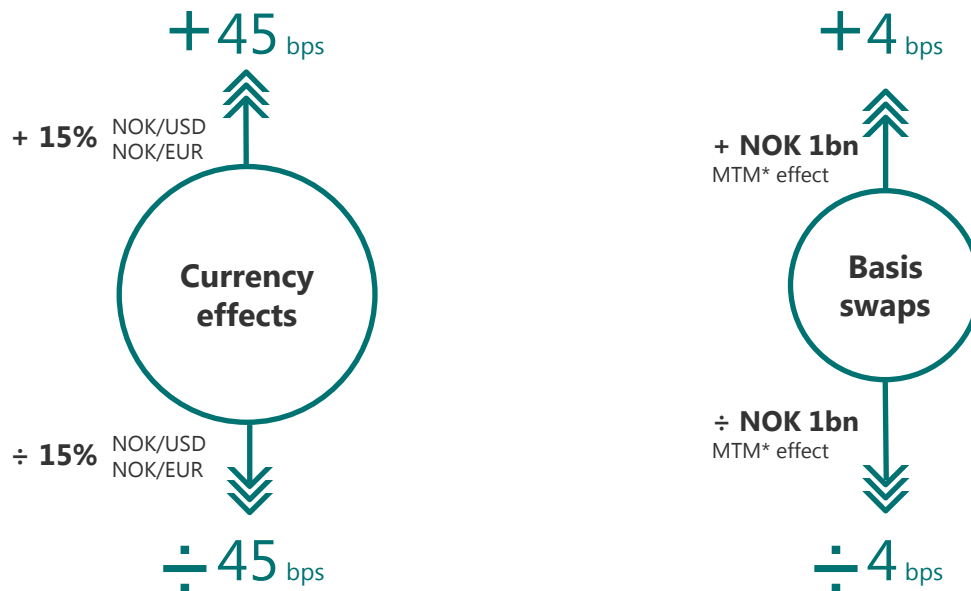


# CET1 ratio is sensitive to currency fluctuations

– other external factors have less impact

## Factors affecting the CET1 ratio

2016 effect, bps

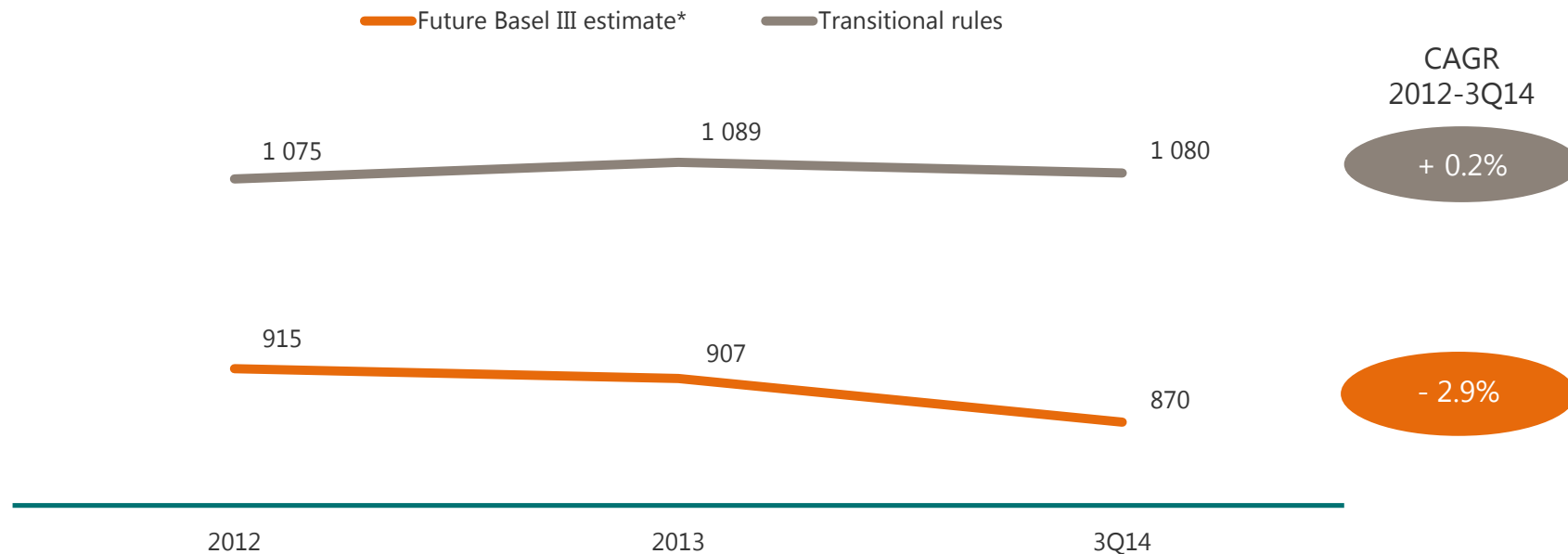




# RWA reduction is restricted by transitional rules

## Development in risk-weighted assets, Basel III estimate vs. transitional rules

Risk-weighted-assets, NOK billion

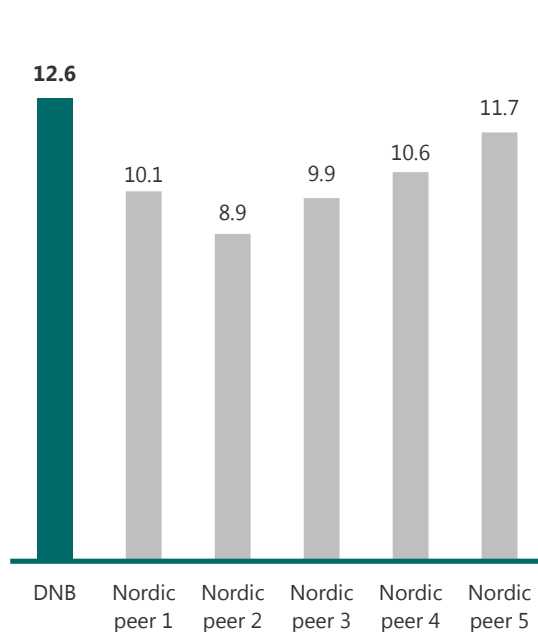




# DNB is well capitalised despite regulatory hurdles

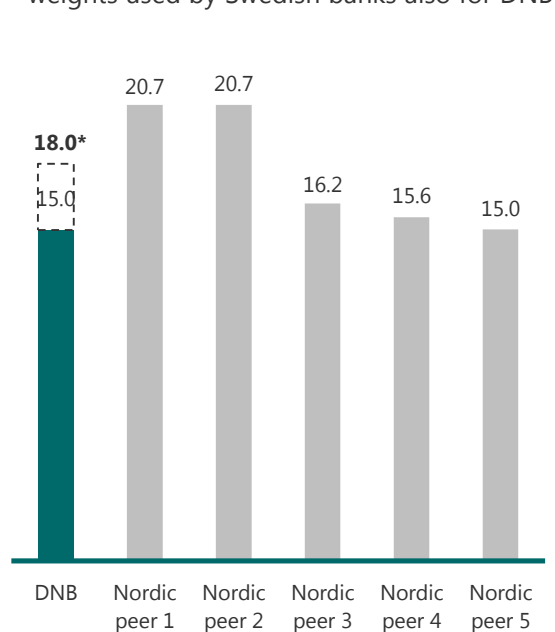
## CET1 ratio under transitional rules

As of 3Q14, per cent



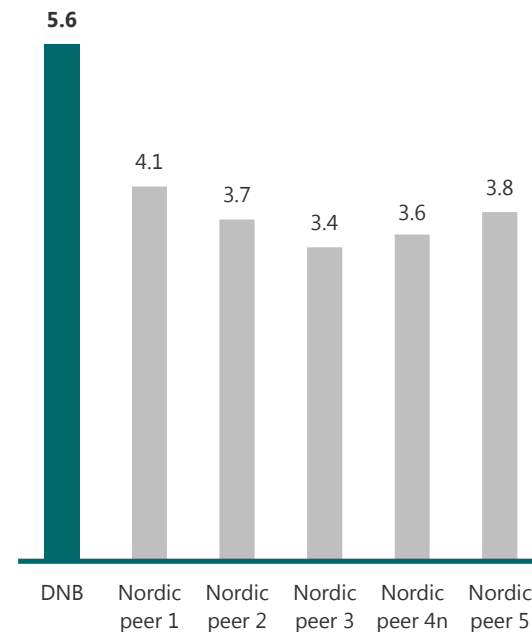
## CET1 CRD IV

As of 3Q14, per cent. Applying average risk weights used by Swedish banks also for DNB



## Simple leverage ratio\*\*

As of 3Q14, per cent



# Approaching Solvency II with sound management actions

- Omnibus II provides a softer implementation

## Solvency II toolbox for traditional back book



## Omnibus II measures supported by the FSA\*

### Volatility adjustment

- *Permanent measure*
- Adjustment to the risk-free discount rate, reducing the value of liabilities and stabilising the solvency position

### 16-years full phase-in

- *Transitional measure*
- Phasing in the full impact of Solvency II over 16 years for existing business

### 7-years phase-in of equity stress

- *Transitional measure*
- Equity stress phased in over seven years, from 22 to 39 per cent

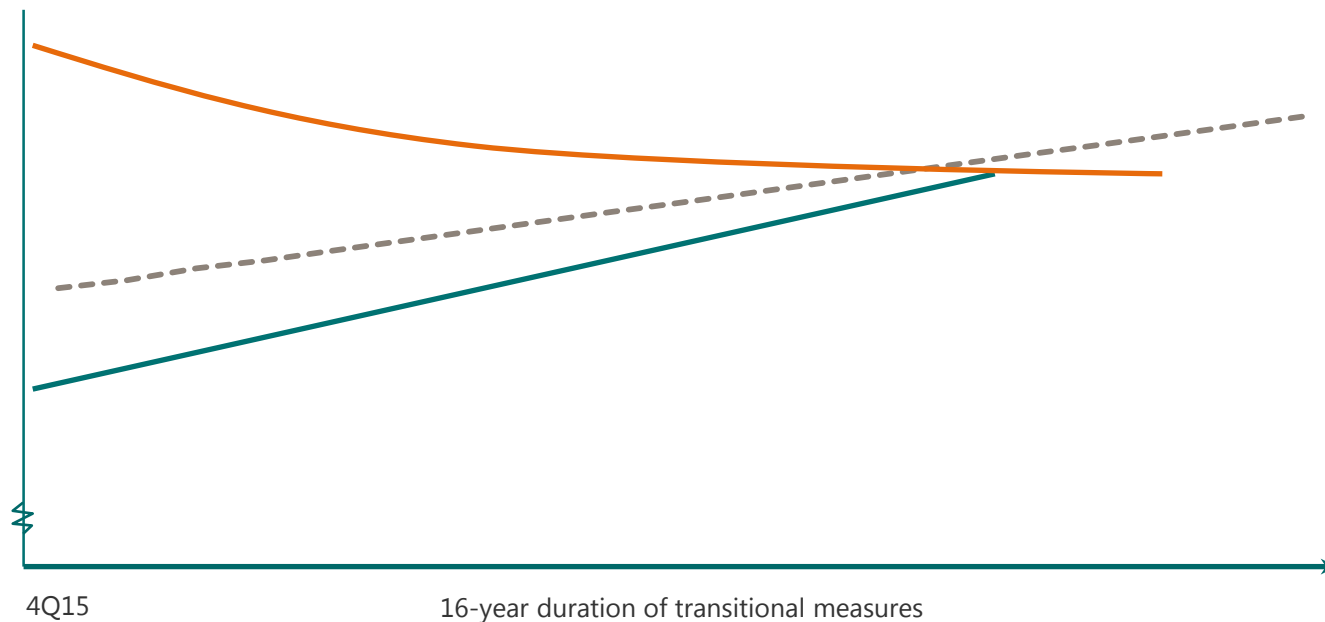


# Sufficiently capitalised under Solvency II

- Omnibus II measures curb the effects of a persistent low interest rate level

## DNB's solvency capital versus requirements

— Capital requirement excl. Omnibus II measures    — Capital requirement incl. Omnibus II measures    - - - Projected available Solvency capital in DNB Liv

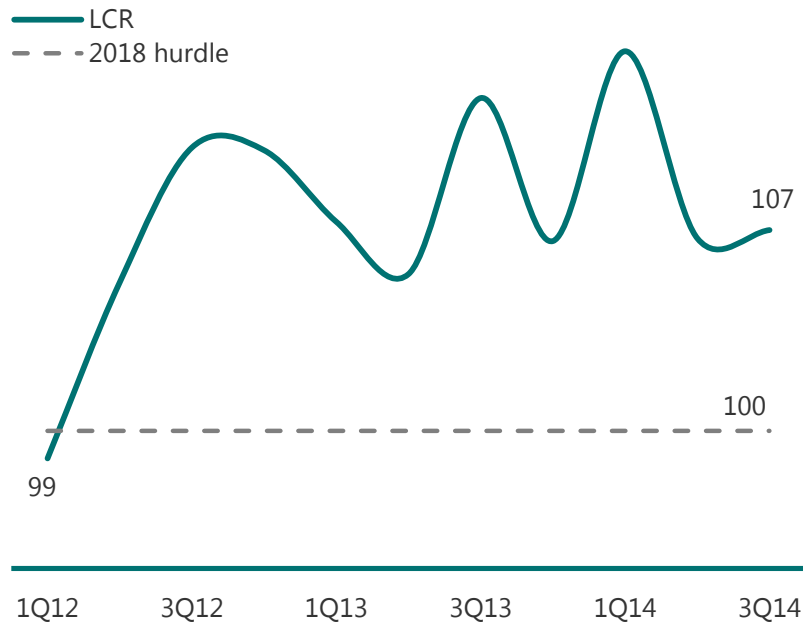




# On track to comply with future liquidity regulations

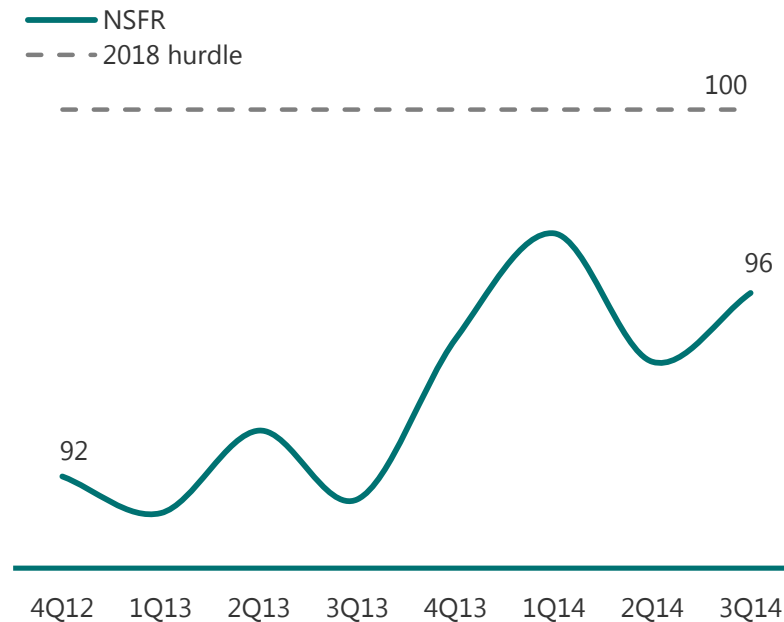
## Liquidity coverage ratio (LCR)

Per cent



## Net Stable Funding Ratio (NSFR)\*

Per cent

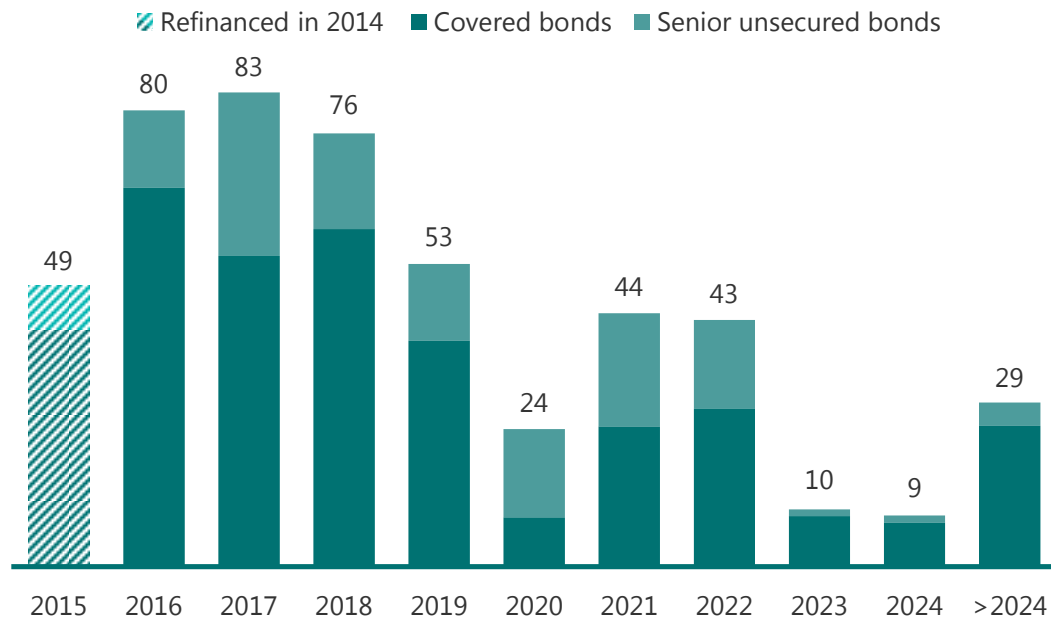


# Refinancing need for 2015 is NOK 85 billion

## - mainly covered bonds/senior unsecured

### Redemption profile

NOK billion



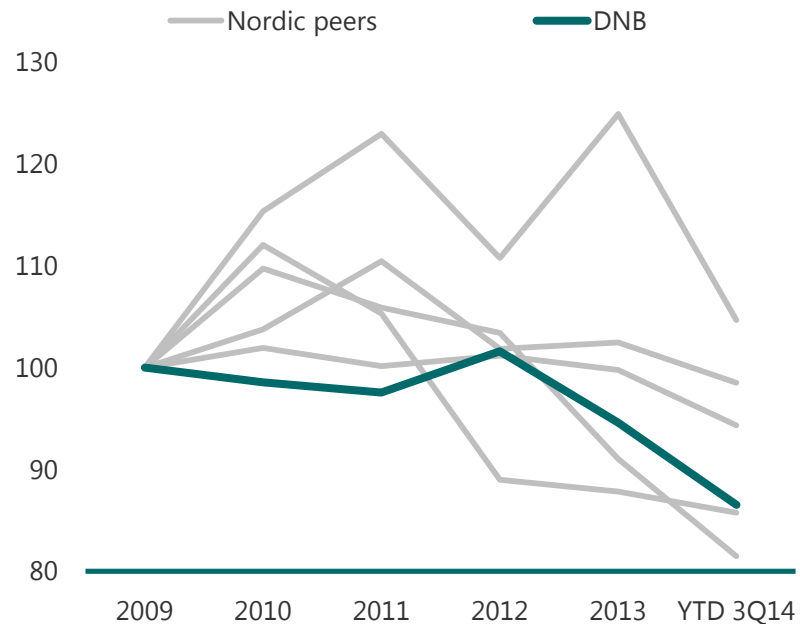
- Refinancing at least 12 months before maturity
- NOK 80 billion in senior/covered bonds, and NOK 5 billion in subordinated loans to be refinanced in 2015
- Expect to raise the equivalent of USD 2bn in AT1/hybrid capital during 2015/2016. Only a moderate share of the total during 2015
- DNB will give due consideration to the capital hierarchy and look to preserve the seniority of claims going forward



# DNB has retained cost leadership over time

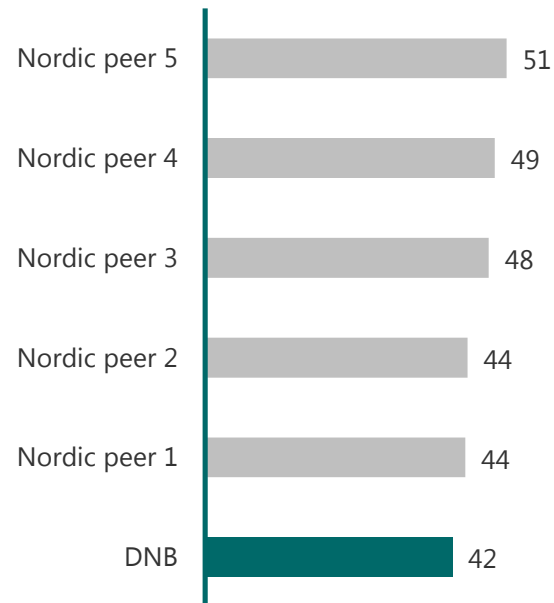
## Development in relative cost-income ratio

Index base year 2009 = 100



## Cost-income ratio for Nordic banks

YTD 3Q14, per cent

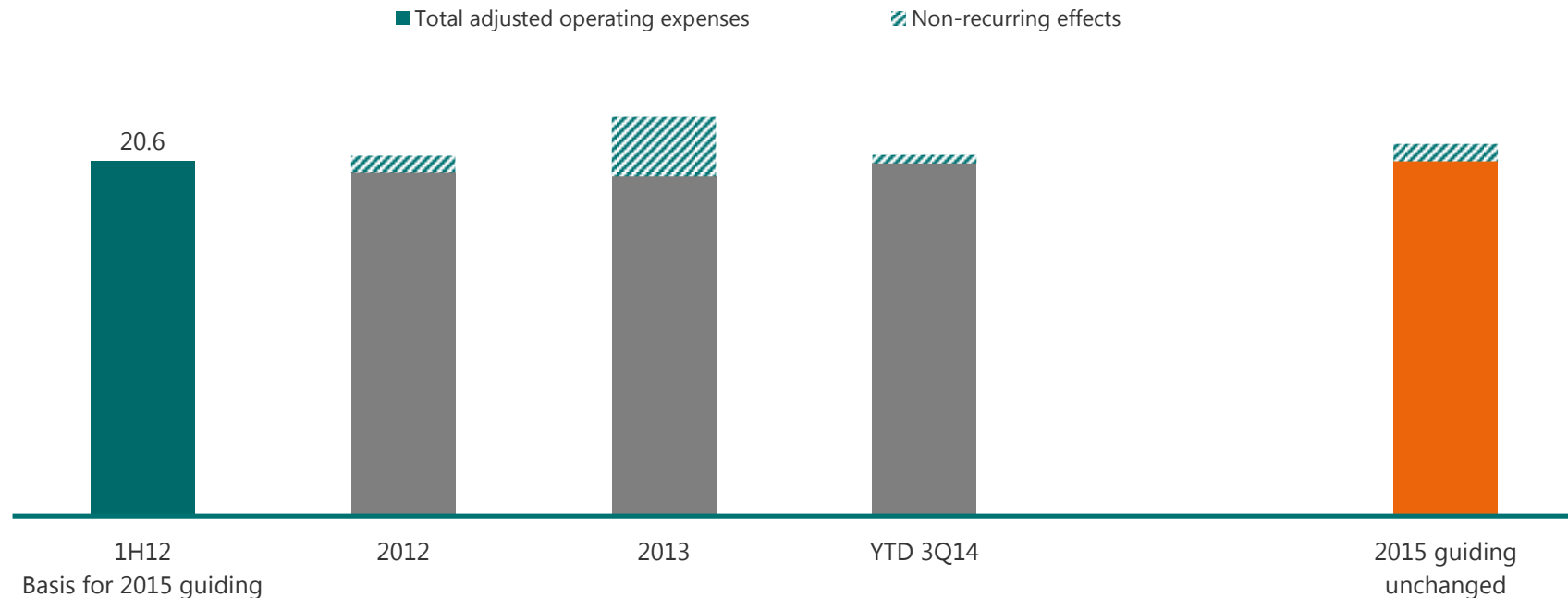




# Nominal cost level in line with guiding

## Total operating expenses

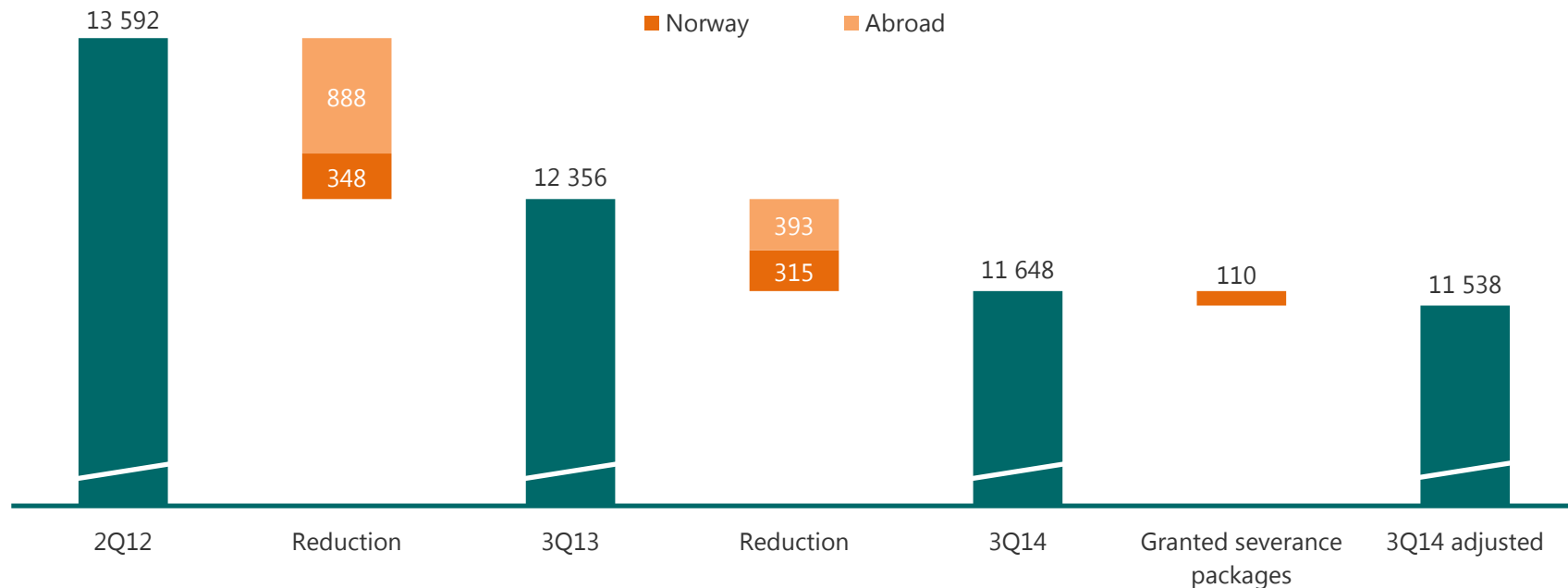
Annualised, NOK billion





# FTE reductions ahead of projections

## Development in full-time equivalents

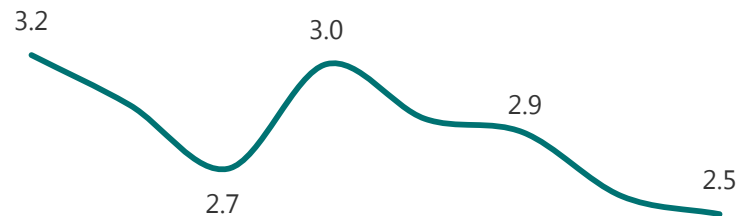




# Cost initiatives necessary to counteract inflation

## Price and wage inflation\* in Norway

Per cent



Cost base growing  
by NOK 500-600  
million annually  
before efficiency  
improvements

2010 2011 2012 2013 2014e 2015e 2016e 2017e

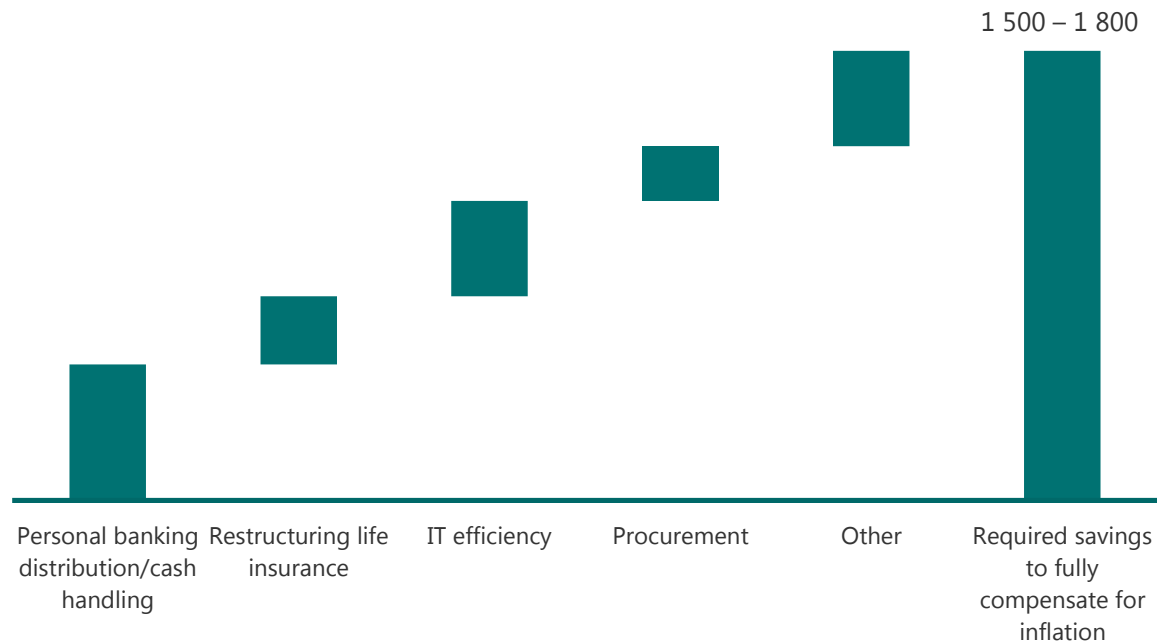


# Cost/income ambition raised

– continuous initiatives to improve efficiency

## Cost savings from efficiency initiatives

Full-year effects by 2017, NOK million



## C/I ambition for 2017

~40%

Combination of  
top line growth and  
cost focus

## Capital, liquidity and costs

# Supporting a more ambitious dividend level

- Greater regulatory clarity
- Approaching capital requirements
- On track to comply with future liquidity regulations
- Retaining cost leadership

## Wealth Management

# Releasing our potential in high-growth markets

- Private Banking: moving from traditional banker to wealth manager
- Defined contribution: profitable growth by accumulating assets under management

**Tom Rathke**

Head of Wealth Management

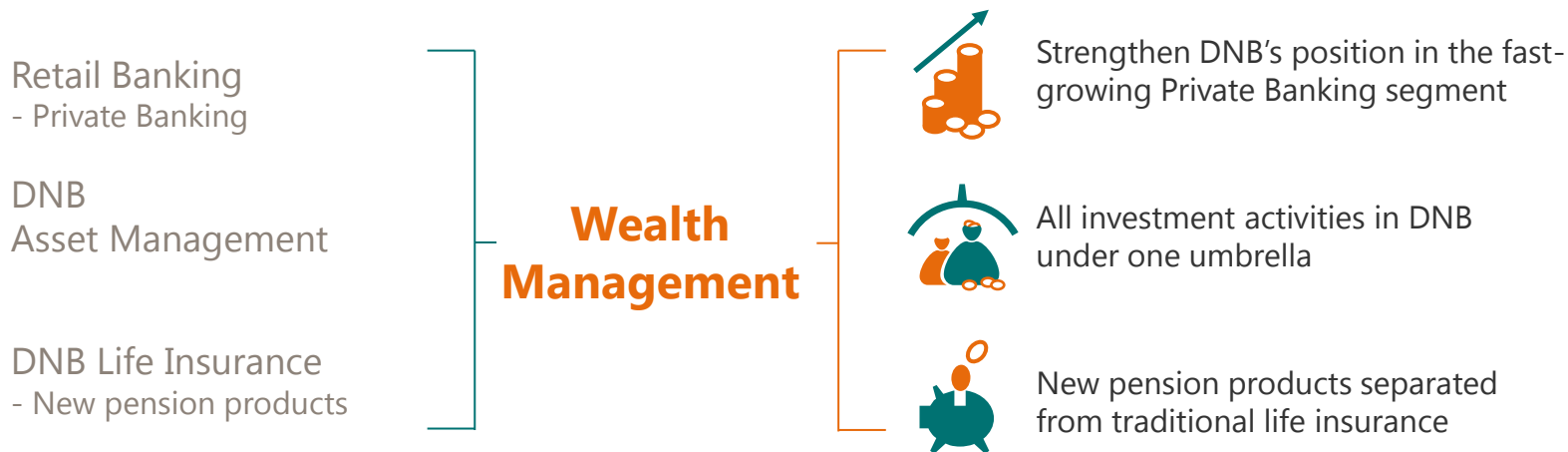


DNB

# Wealth Management established as a new business area

– to enhance focus on savings and investments

## Rationale behind the new business area



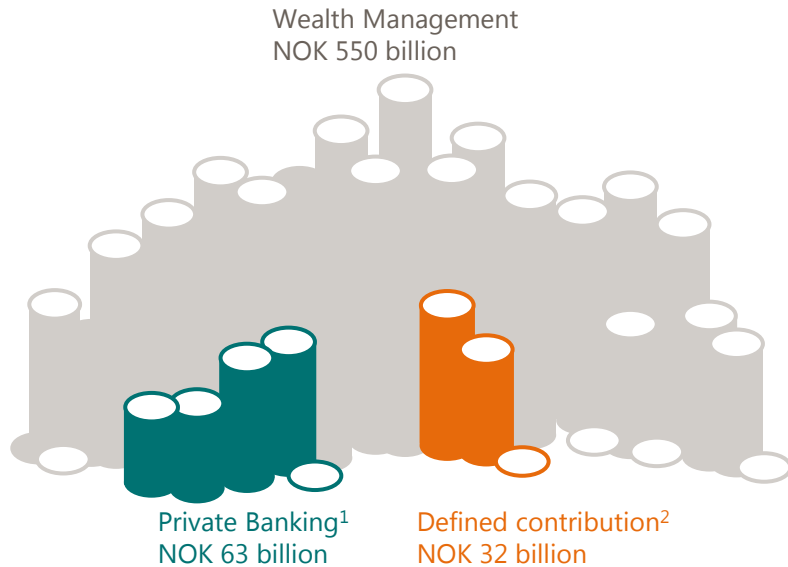
2012

2013

# Targeting Private Banking and defined contribution

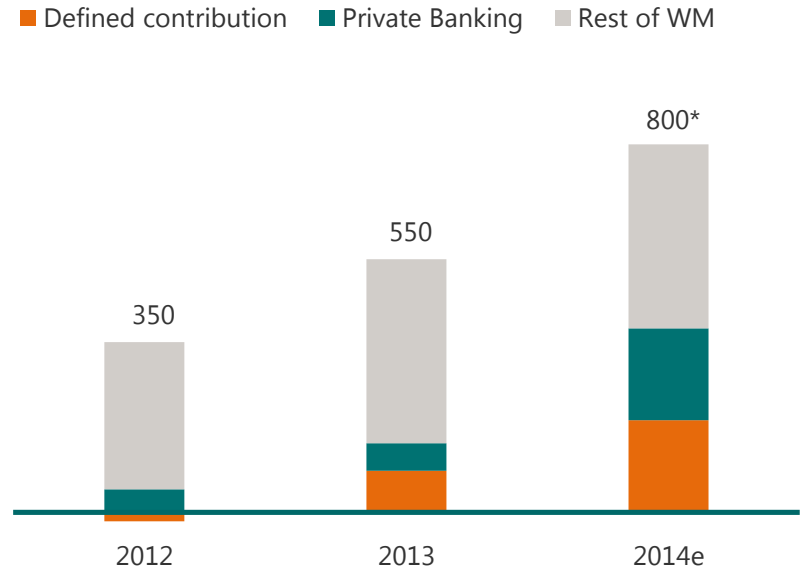
## Benefiting from economies of scale

Assets under management (AuM)



## Profitable growth in targeted areas

Operating profit, NOK million



<sup>1</sup> In the external reporting, profits from Private Banking are included in the Personal customers segment

<sup>2</sup> In the external reporting, profits from defined contribution are included under Personal customers, SME and LCI customers

\* Based on annualised YTD 3Q14 operating profit

# Releasing our potential in high-growth markets

## Key messages

### Private Banking



From traditional banker  
to wealth manager

### Defined contribution



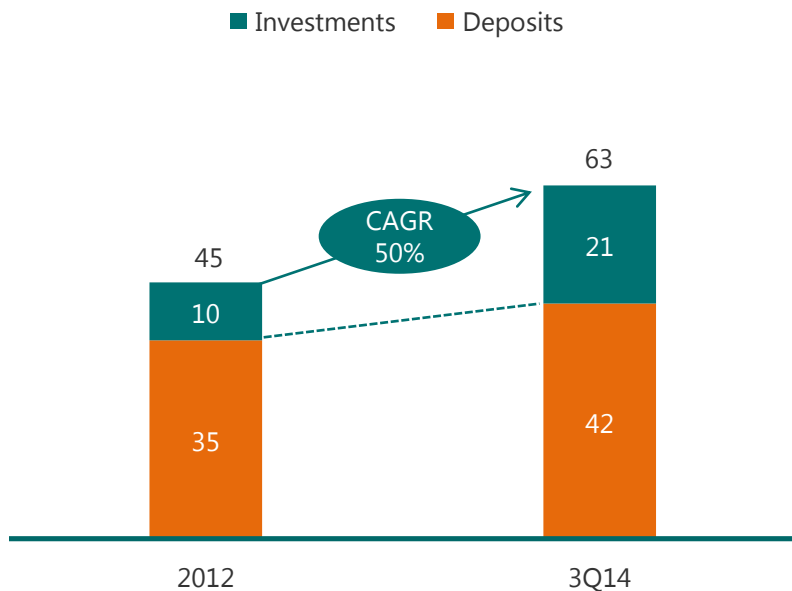
Profitable growth by  
accumulating AuM

# From traditional banker to wealth manager

## - promising track record

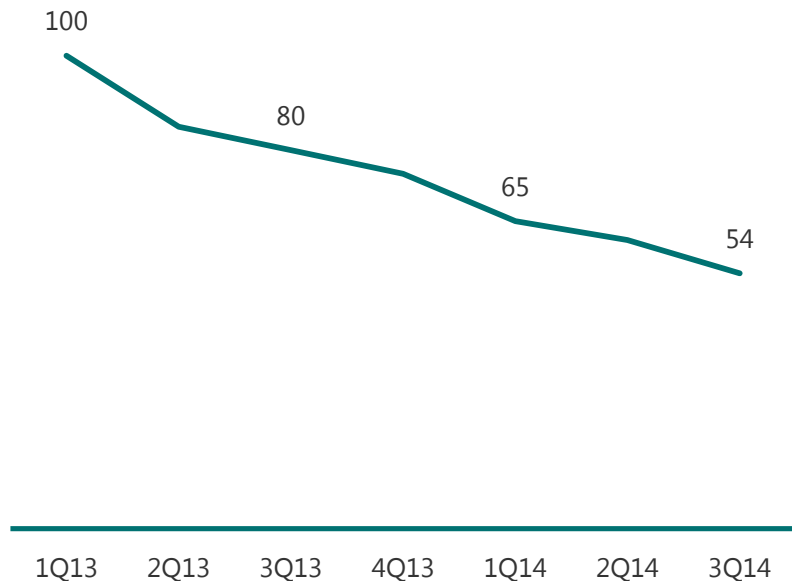
### Private Banking AuM

End of period, NOK billion



### Cost/income ratio

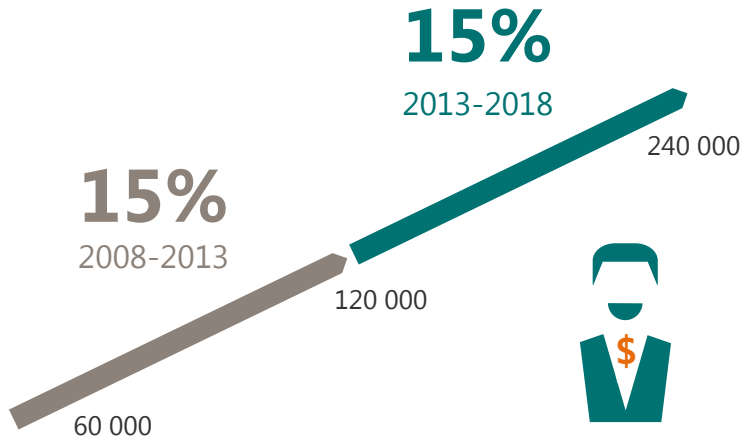
Per cent



# Substantial market opportunity in Norway

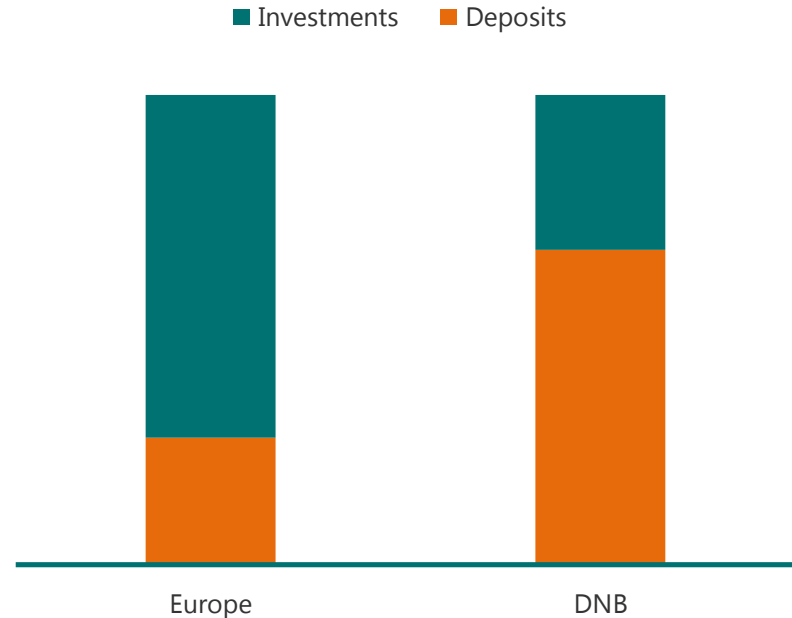
## High growth in Norwegian USD millionaires

Number of individuals, CAGR



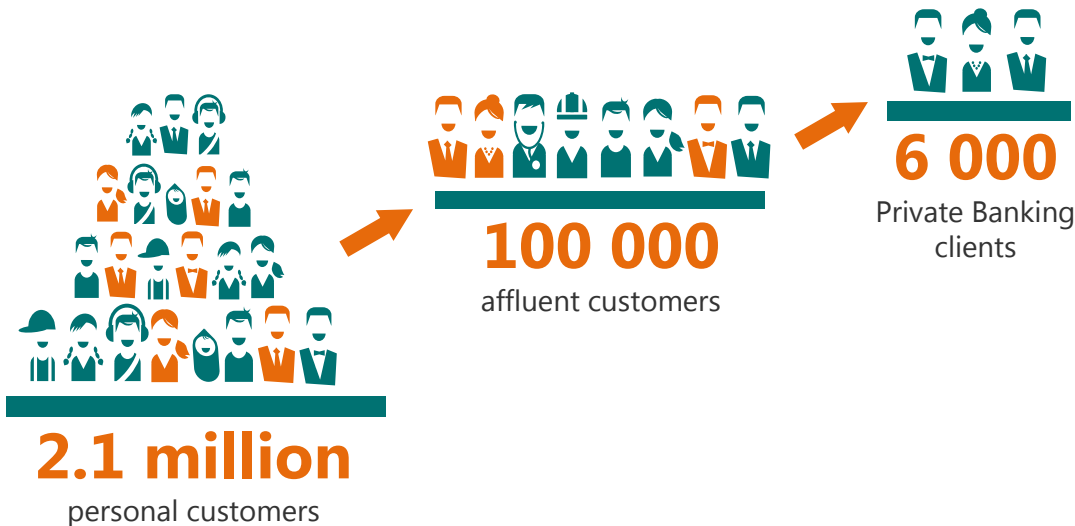
## Low share of assets placed in investments

Breakdown of Norwegian USD millionaires' investable assets



# Leveraging on DNB's customer base and competence

## Solid base to increase the number of clients



## Key initiatives to increase share of wallet

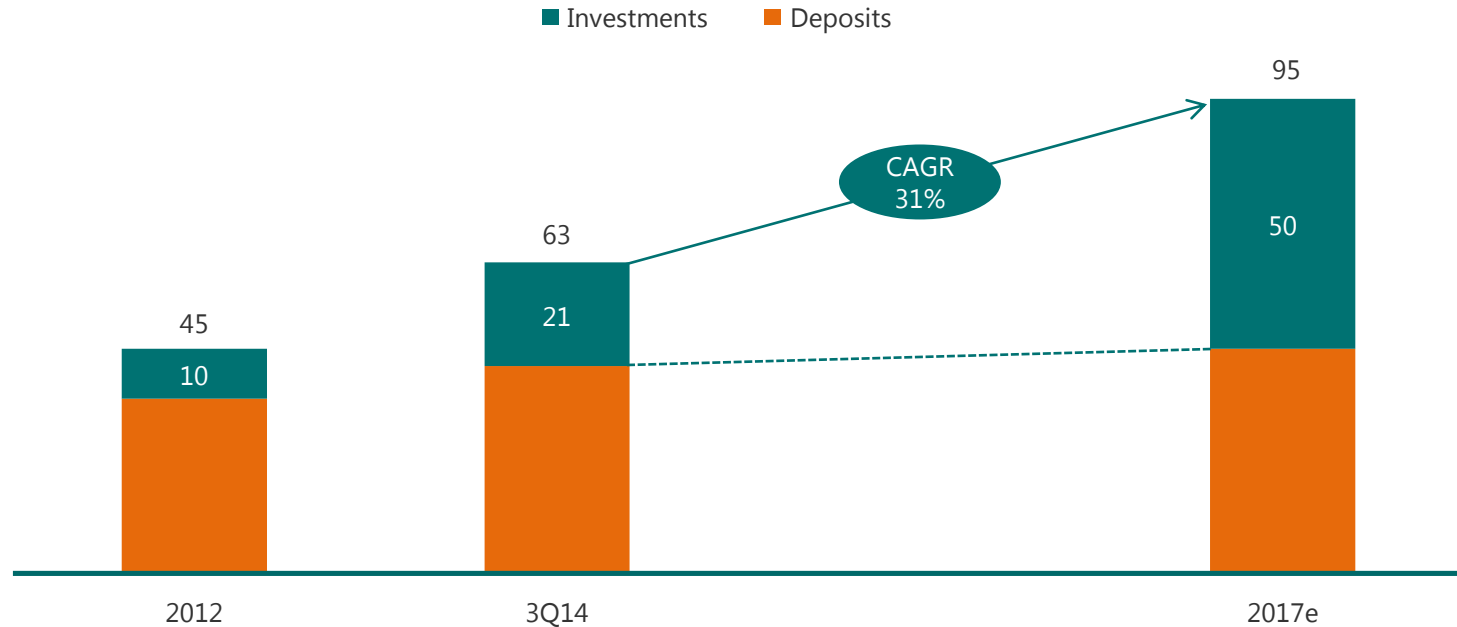


- Professional advisors
- Selected 3rd party product offerings combined with in-house solutions
- Customer friendly digital solutions

# Ambitions for Private Banking towards 2017

## Private Banking AuM

End of period, NOK billion

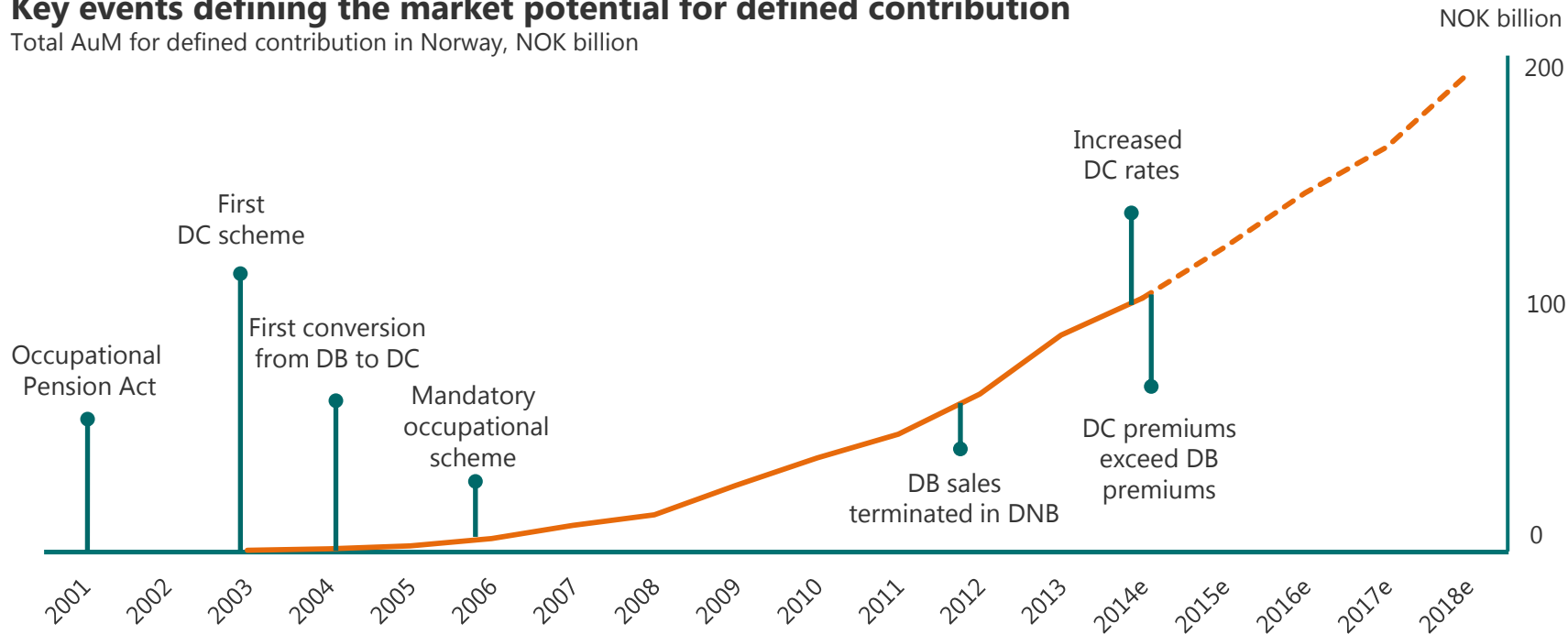


# The Norwegian pension system is in transition

## - from defined benefit to defined contribution

### Key events defining the market potential for defined contribution

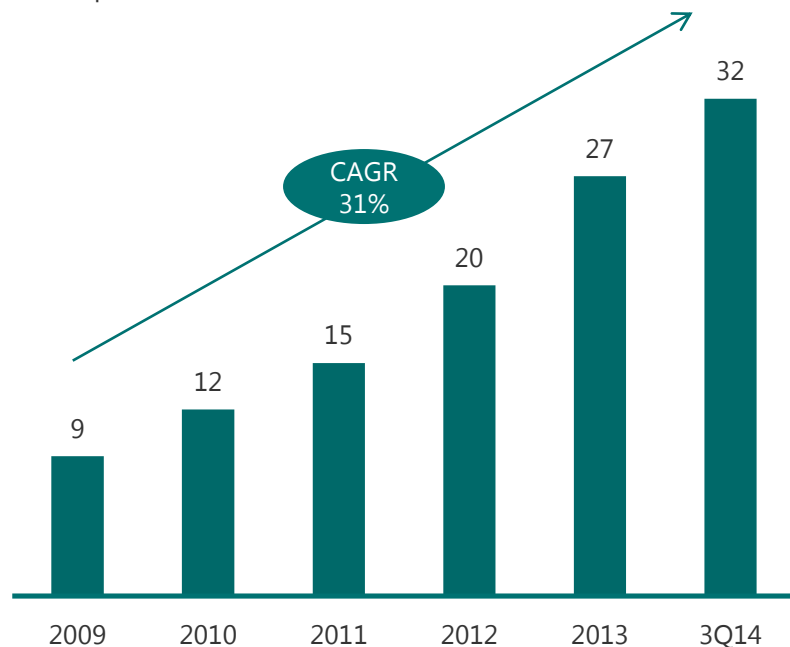
Total AuM for defined contribution in Norway, NOK billion



# Profitable growth by accumulating assets under management

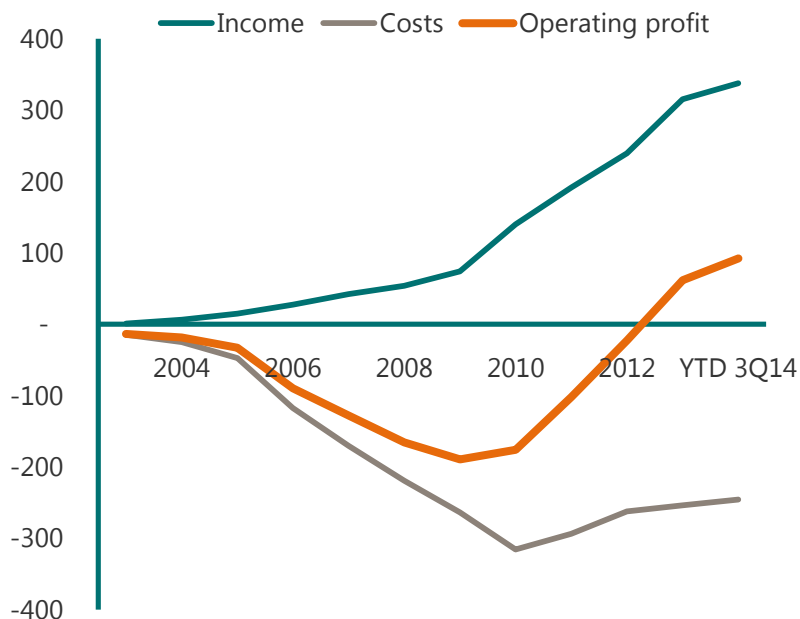
## DNB's defined contribution portfolio

End of period, NOK billion



## Operating profit\*

NOK million

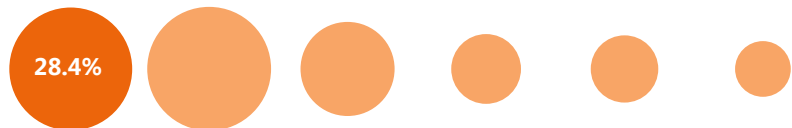


# Leveraging on DNB's position as Norway's largest bank

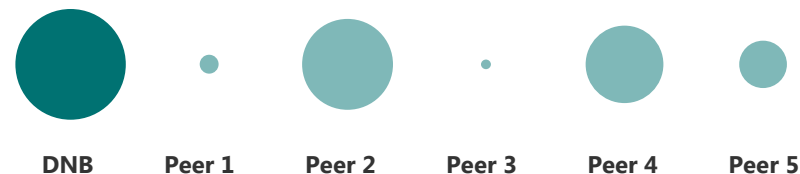
## Exploiting bank assurance opportunities

DNB's market share relative to peers

### Defined contribution



### Banking



## Capitalising on our existing customer base



# 30 000

corporate banking customers without pension schemes in DNB

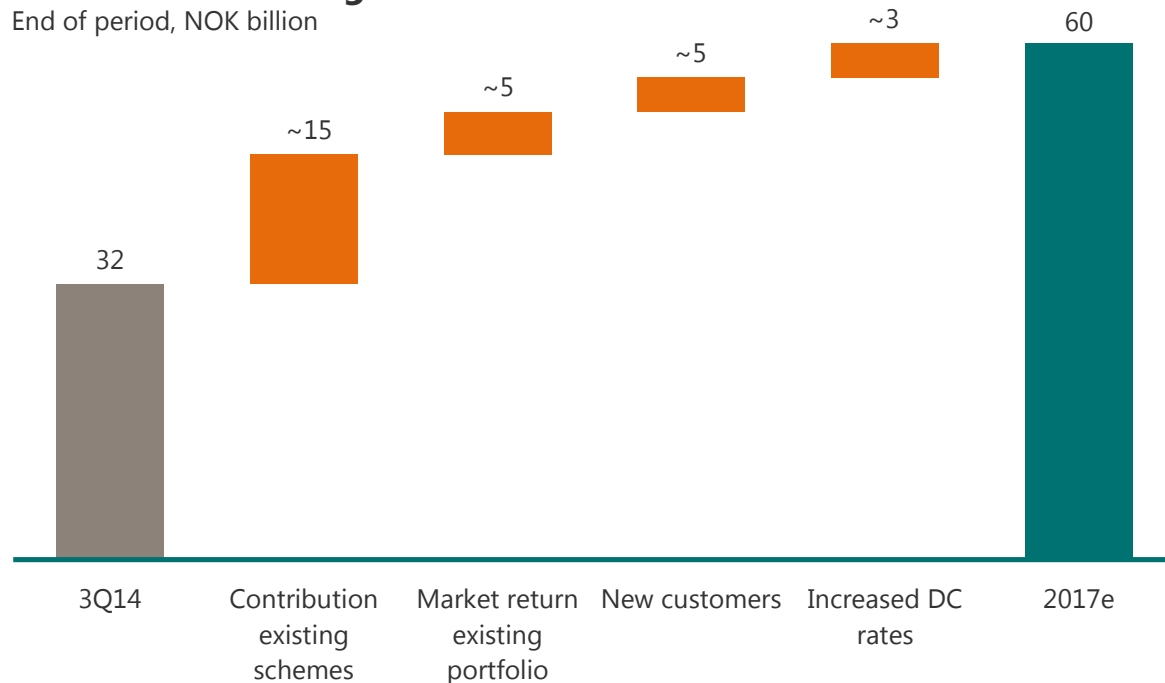
# 18 000

corporate banking customers with pension schemes in DNB

# Ambitions for defined contribution towards 2017

## Assets under management

End of period, NOK billion



- The main growth driver is the accumulation of capital
- Increased DC rates approved by several large corporates
- Savings from employees represent an additional growth potential



## Wealth Management

# Releasing our potential in high-growth markets

- Private Banking: moving from traditional banker to wealth manager
- Defined contribution: profitable growth by accumulating assets under management



DNB

## Small and medium-sized enterprises

# Well-positioned for growth and enhanced profitability

- Growth in net interest income at least in line with volume growth
- Boost market share among small businesses
- Growth in other income to outperform NII growth

**Kjerstin Braathen**

Head of Corporate Banking Norway



# New business area established to better serve Norwegian SMEs

## Rationale behind the new business area

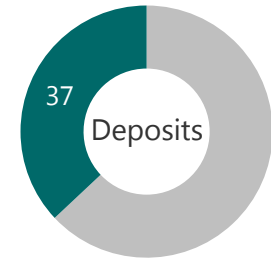
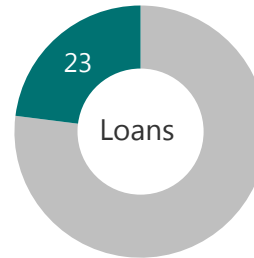


# DNB has a solid platform in the SME segment



## Norway's leading financial services group

Market share\* as of 30 June 2014



- Unmatched customer reach and broad product range
- Proven ability to deliver stable and attractive returns in a period of high capital accumulation

# Well-positioned for growth and enhanced profitability

## Key messages



Continue growth in net interest income



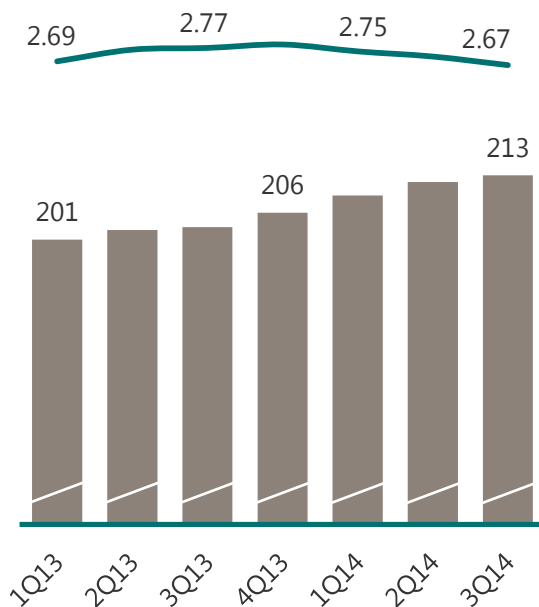
Boost market share among small businesses



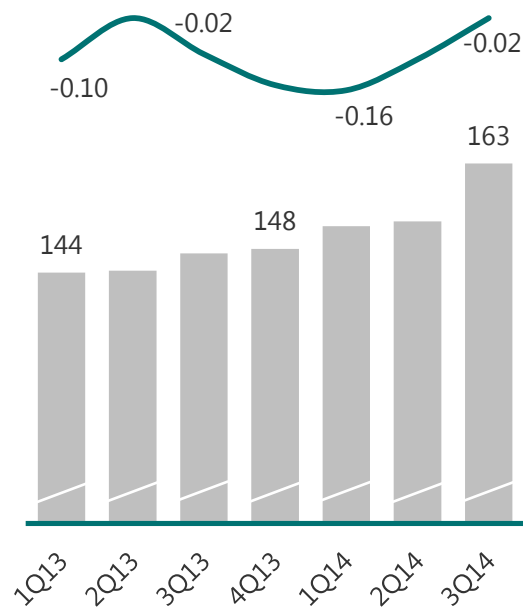
Increase cross-sales

# Proven track record for increasing net interest income

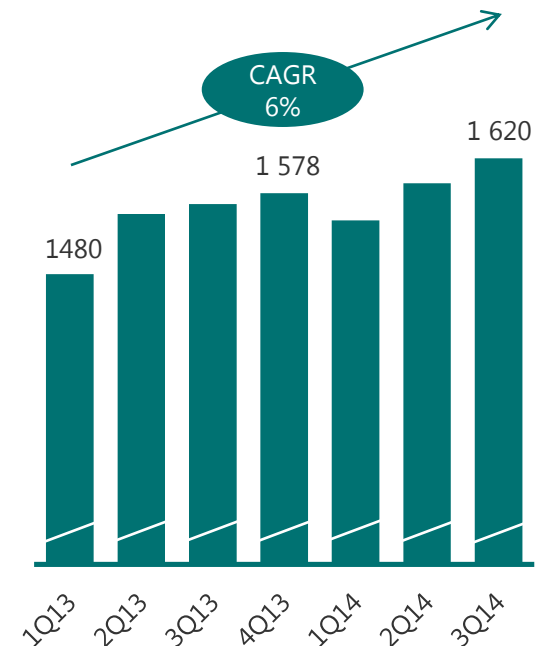
Lending volumes\*, NOK billion  
Lending spread\*, per cent



Deposit volumes\*, NOK billion  
Deposit spread\*, per cent



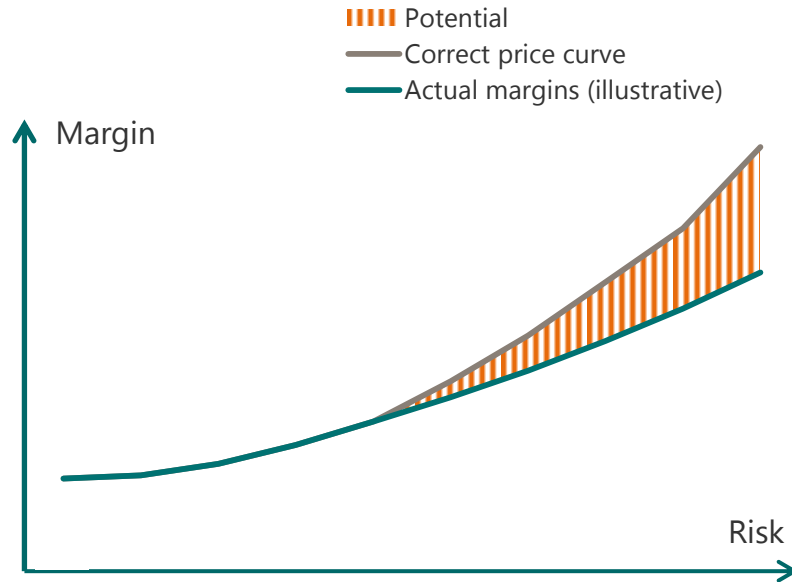
SME net interest income, NOK million



# Several tools to support continued growth in net interest income

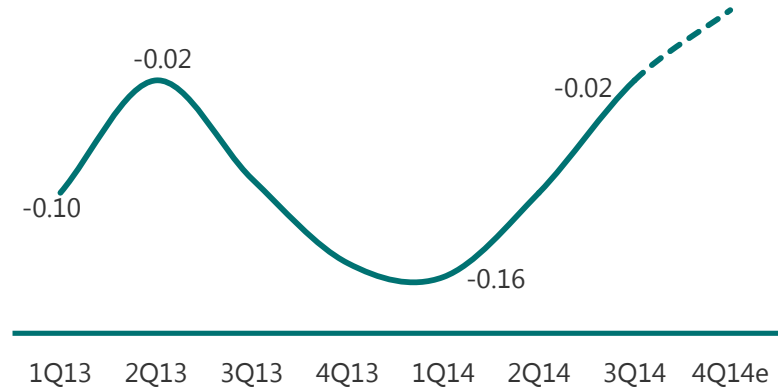
## Potential to increase risk differentiation

(Illustrative)



## Significant effect from repricing deposits

Average deposit spread, per cent

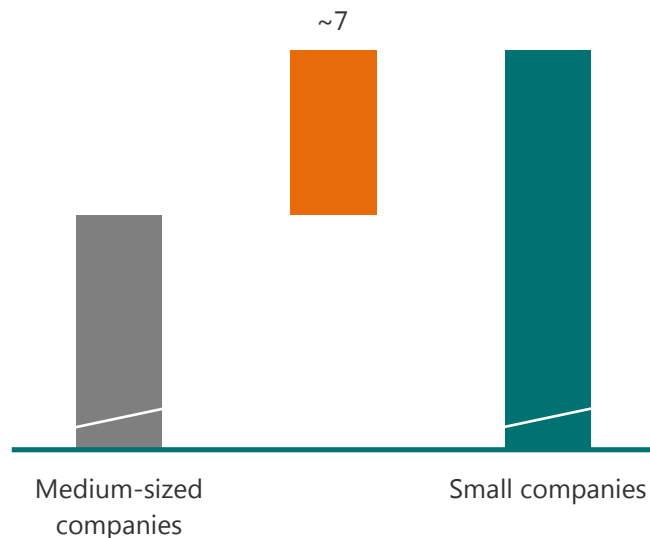




# Boost market share among small businesses

## Return on risk-adjusted capital\*

Per cent



## Key drivers for profitability

- 50% of small SME customers are deposit customers with no loans
- The majority of deposits are placed in operating accounts
- Smaller customers are more loyal
- Simple needs and low cost to serve

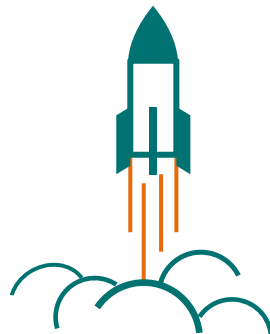
# Benefiting from DNB's unmatched customer reach

## Recruiting from a broad base of personal customers

DNB's personal customer base and annual start-ups



**2.1 million**  
personal customers



**50 000**  
start-ups  
in Norway annually

## Changing customer behaviour favours DNB's size and solid platform



**Unlimited**  
Web & app



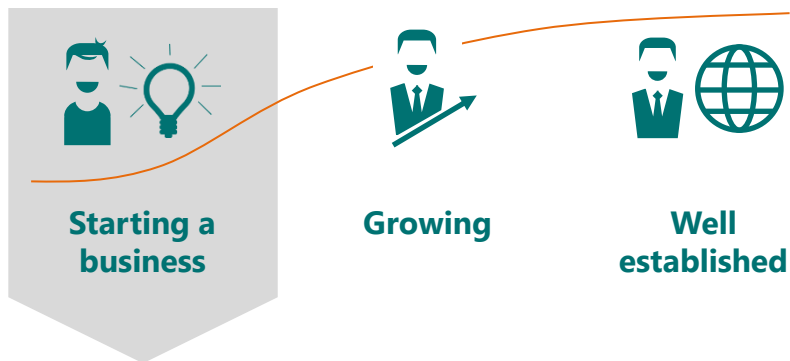
**24/7**  
Call centre



**139**  
Branches

# Winning the start-ups is a prerequisite to increase our market share

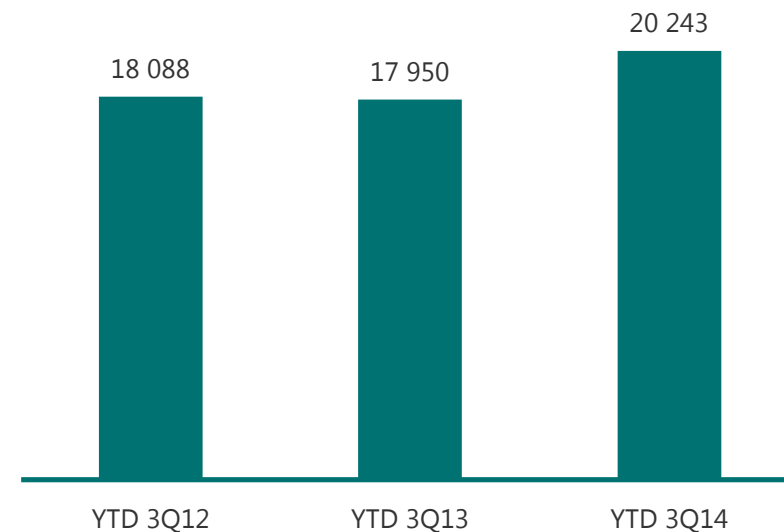
## Measures to win start-ups



- Specialised unit with start-up advisors
- 24/7 customer service
- Packaging products and services to start-ups

## Development in number of new customers

Gross new customers

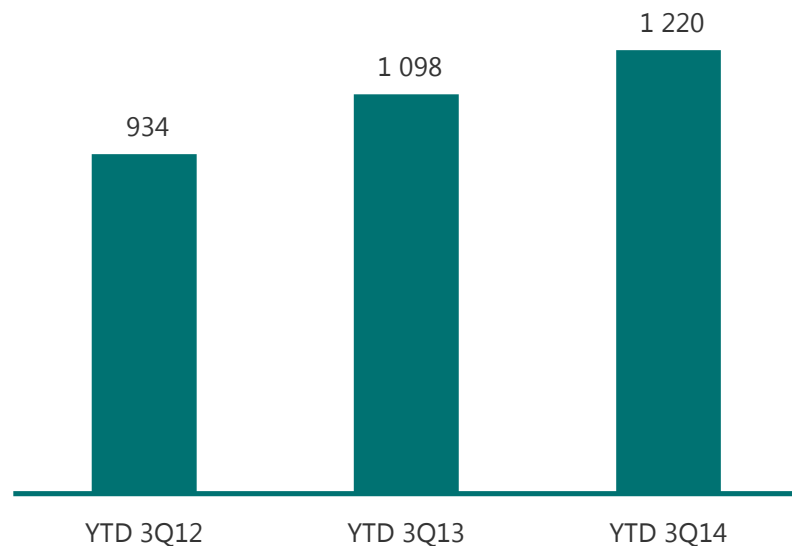




# Several initiatives taken to increase cross-sales

## Net other operating income

SME segment, NOK million



## Key initiatives

- Reallocated more resources to sales
- Implemented structured sales processes adapted to sub-segments
- Introduced incentives for relationship managers based on customer profitability

# Setting clear ambitions to achieve cross-sale results

## Ambitions towards 2017



### Pensions

Share of customers

24% → 35%



### Leasing products

New business

+ 30%



### Start-up pension and insurance package

Share of new customers

~0% → 80%



### New digital service model for small businesses

Number of customers enrolled

+ 35%



### Self-service account openings

Share of customers

61% → 80%

## Small and medium-sized enterprises Well-positioned for growth and enhanced profitability

- Growth in net interest income at least in line with volume growth
- Boost market share among small businesses
- Growth in other income to outperform NII growth



DNB

# Personal Banking Status and outlook

- Performance on track
- Stable net interest income
- Modernising the way we do banking

**Trond Bentestuen**






Head of Personal Banking Norway



# Performance on track

- we will deliver on set ambitions by end of 2016

## Status on ambitions

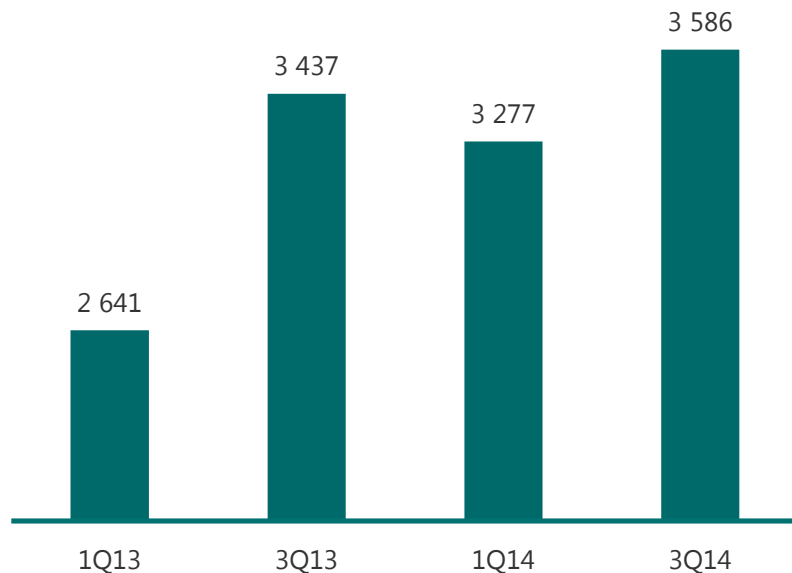
	Q3 2013	Q3 2014	Target 2016	Revised target 2017
 <b>Pre-qualification letters</b> Increase conversion rate	50%	60%	60%	65%
 <b>Non-life insurance coverage</b> Coverage for new customers	10%	20%	40%	
 <b>DNB real estate agents</b> Financing of properties sold	40%	40%	50%	
 <b>Pension schemes</b> Share of customers	4%	10%	10%	20%
 <b>Monthly savings schemes</b> Share of customers	40%	50%	60%	

# Profitable mortgage portfolio

## - sustained net interest income levels

### Net interest income for personal customers\*

NOK billion



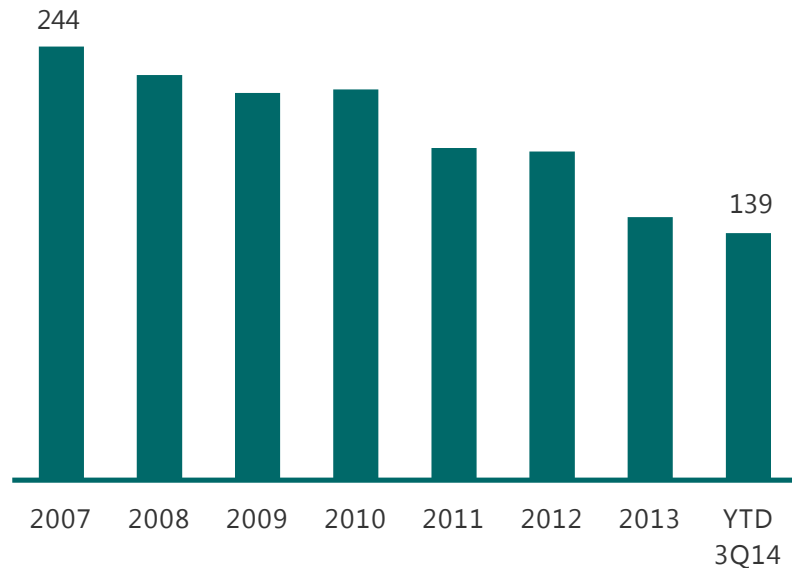
### Key takeaways

- Targeting profitable growth and stable net interest income
  - Balancing interest rates for deposits and mortgages
  - Market share growth is not a target in itself
- Solid mortgage portfolio with very low risk
  - Full recourse on mortgages
  - Close to zero losses
- Stable market outlook for mortgages
  - Wages set to grow more than housing prices
  - Debt-to-income ratio\*\* expected to stabilise at around 210 per cent

# Continuous efficiency improvements in distribution

- number of branches reduced by more than 40% since 2007

## Development in number of DNB branches in Norway



## Key takeaways

- Optimising the balance between branches and digital presence
- Customers are embracing digital banking
- Efficiency gains by reducing cost-to-serve through use of digital channels

# Modernising the way we do banking

- we expect 50-70 per cent reduction in manual transactions

## Average number of manual transactions in pilot branches (rebased)



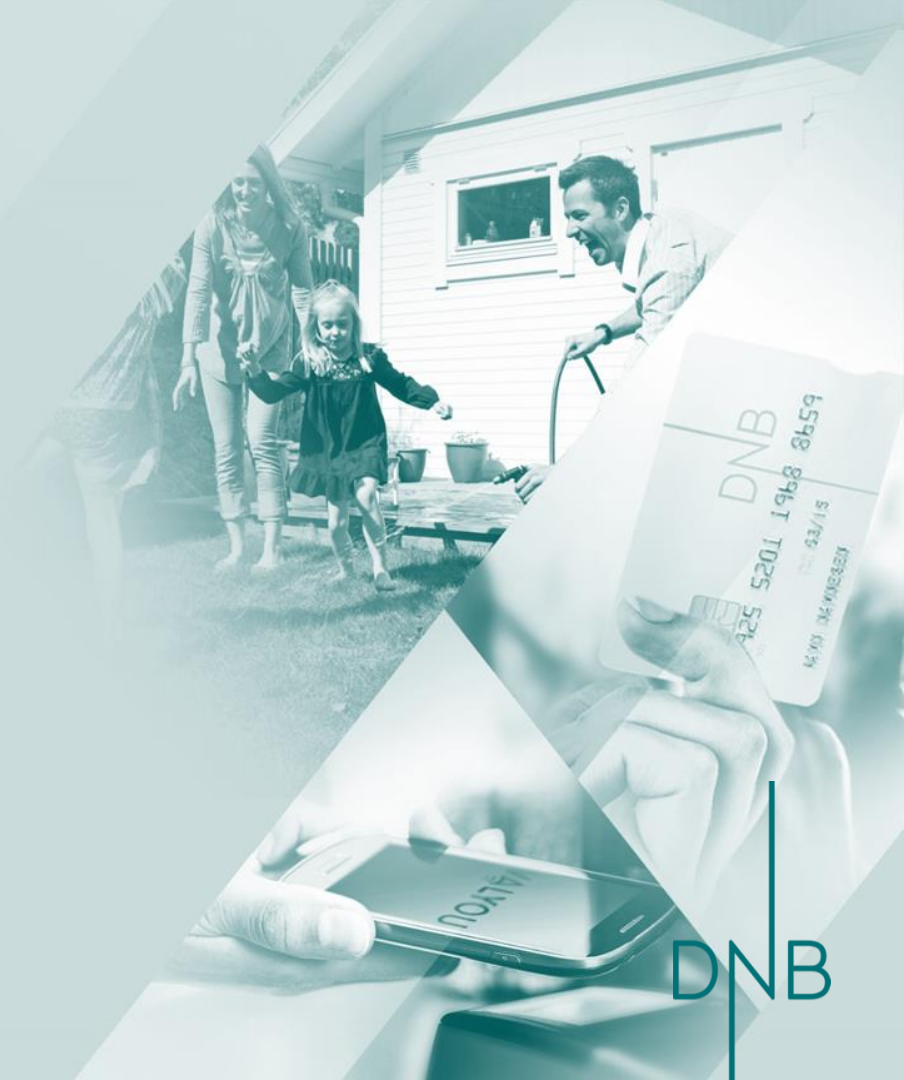
Jan 2014 Feb 2014 Mar 2014 Apr 2014 May 2014 Jun 2014 Jul 2014 Aug 2014 Sep 2014 Oct 2014

## Key takeaways

- Fundamentally changing the way we operate our branches:
  - Eliminating manual cash-services
  - Moving manual banking transactions to digital channels
- Continued reduction in number of branches

# Personal Banking Status and outlook

- Performance on track
- Stable net interest income
- Modernising the way we do banking



# Large Corporates and International Status and outlook

- Performance on track
- Robust portfolio in oil and energy

**Harald Serck-Hanssen**

Head of Large Corporates and International

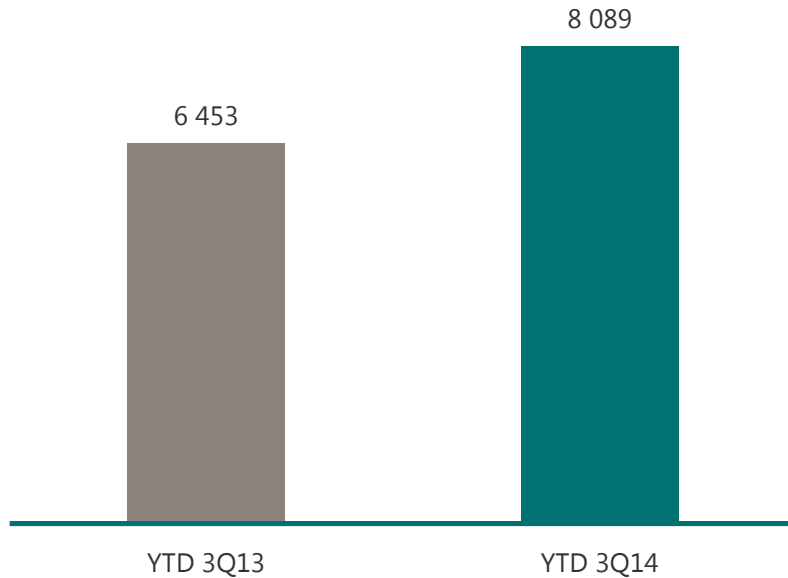
The DNB logo is located in the bottom right corner of the slide. It consists of the letters 'DNB' in a teal, sans-serif font. A vertical teal line is positioned to the left of the letters, extending from the top of the 'D' down to the bottom of the 'B'.

DNB

# Improved profitability and reduced individual impairments

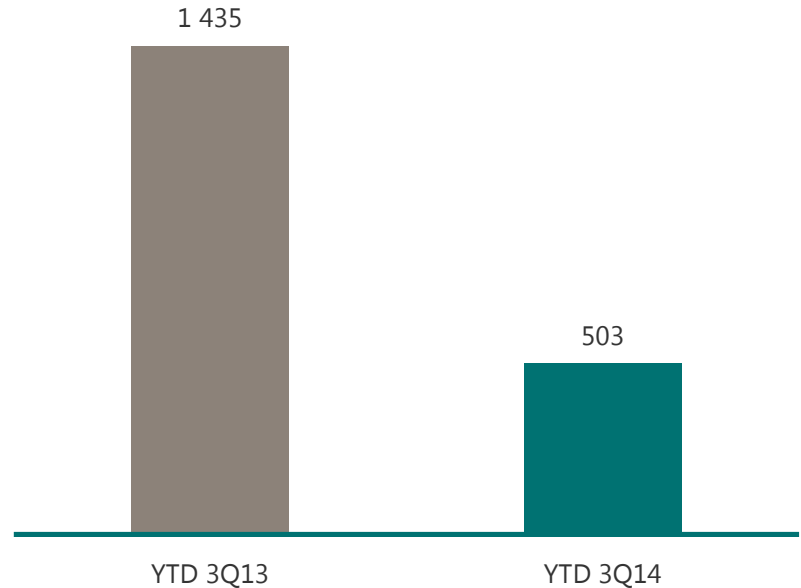
## Pre-tax operating profit – improving

LCI segment, NOK million



## Individual impairments - falling

LCI segment, NOK million



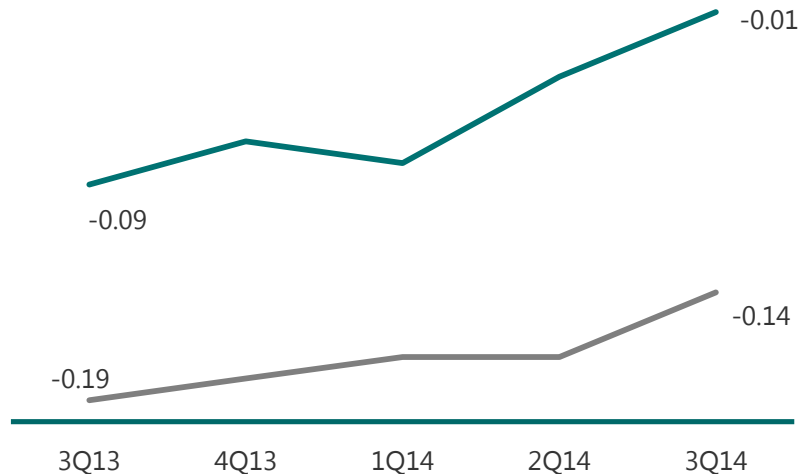
# Improving deposit and lending margins

## Deposit margins – towards zero

LCI segment, per cent\*

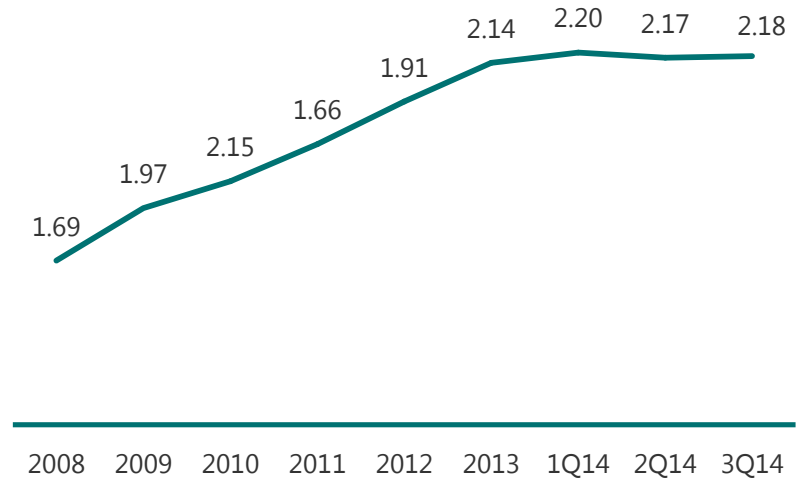
— Deposit margins

— Deposit margins excl. public sector



## Lending margins – flattening out

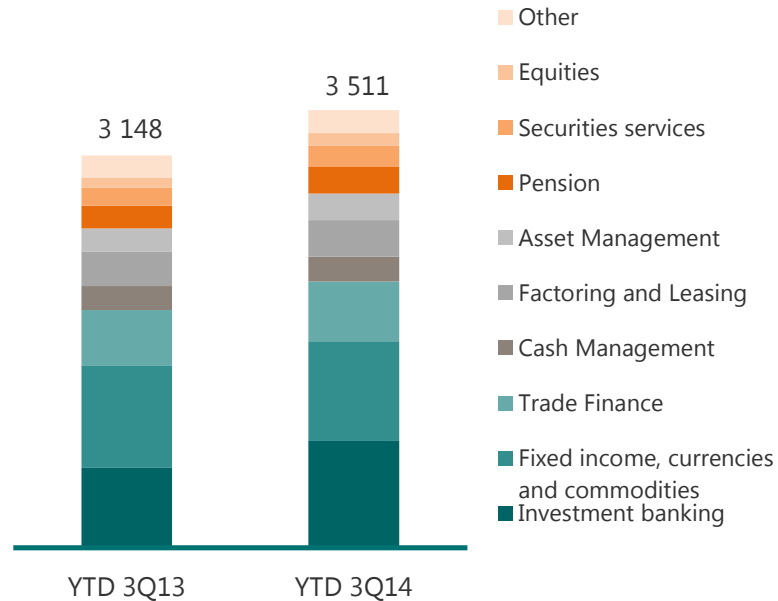
LCI segment, per cent\*



# Increasing cross-selling while improving cost efficiency

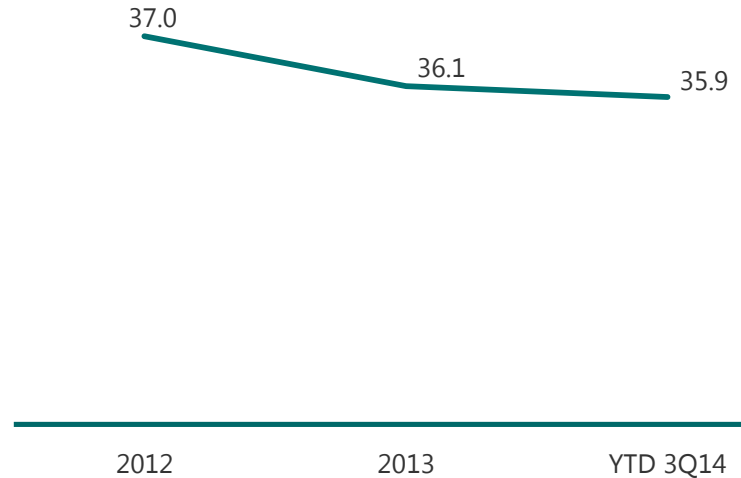
## Income from cross-selling - increasing\*

LCI segment, NOK million



## Cost/income ratio – falling

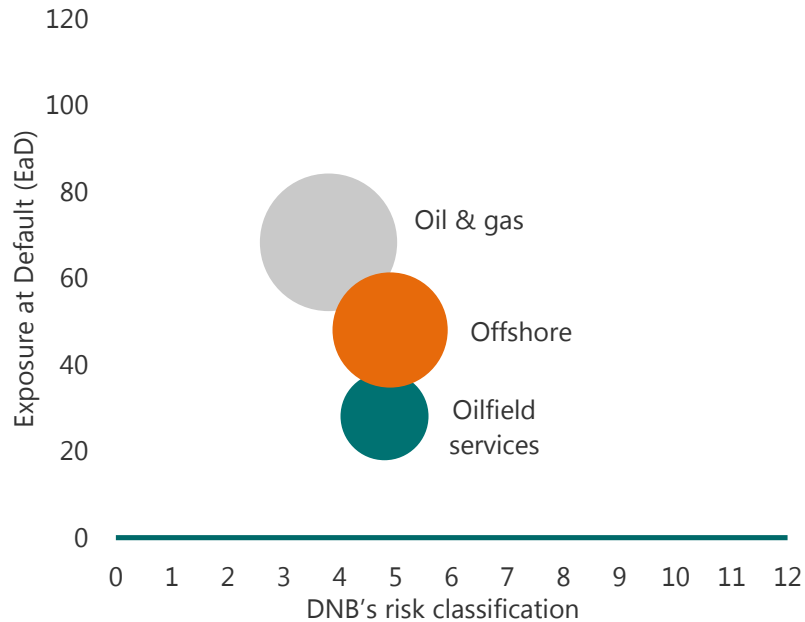
LCI segment, per cent



# Robust portfolio in oil and energy

## DNB total exposure in select industries

NOK billion

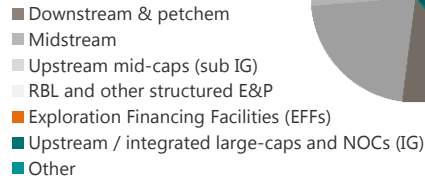


## Key takeaways

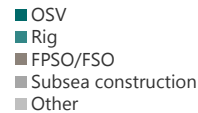
- DNB expected a lower oil price going forward and planned for this in its credit practices
- Less than 10% of DNB's EaD is linked to oil and offshore-related products and services
- Relevant oil & gas exposure is stress tested at prices below \$60 per barrel

# Confident about the robustness in our exposure

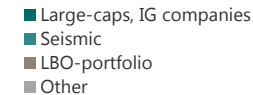
## Oil & gas NOK 68 billion



## Offshore NOK 48 billion



## Oilfield services NOK 28 billion



### Well diversified – robust to oil price movements

- ~35% of EaD in investment grade companies
- RBL exposure of NOK 9bn stress tested at prices below USD 60/bbl and liquidity tested for USD 35/bbl for one year
- EFF does not involve any direct oil price risk
- Mid- and downstream: Limited direct exposure to oil prices, mainly fee and/or margin business

### Solid companies and high contract coverage

- OSV: Mainly corporates with modern fleets and good contract coverage. Average fleet age 6-8 years, contract coverage 2015 around 60%. Most of exposure is to the production phase and inspection, maintenance and repair of existing infrastructure.
- Rig: more than 40% of EaD are either IG-companies or have full contract coverage. 70% of the remaining are latest generation rigs. Weighted average contract coverage for rig portfolio in 2015 is 75%
- FPSO: 100% contract coverage to strong counterparties such as oil majors, with full down payment during contract period

### Mainly low risk exposure

- ~60% of EaD in large cap investment grade companies with strong balance sheets and high exposure to the US
- Seismic: low exposure – EaD of NOK 1bn
- LBO: EaD of NOK 6bn mainly related to development and production
- Other: wide range of companies through the oil and gas service value chain

# Large Corporates and International Going forward

- NII – at least in line with volume growth
- Continue strong cost control
- Loan losses – projected below expected loss

# DISCLAIMER

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## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

The statements contained in this presentation may include forward-looking statements such as statements of future expectations. These statements are based on the management's current views and assumptions and involve both known and unknown risks and uncertainties.

Although DNB believes that the expectations reflected in any such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Actual results, performance or events may differ materially from those set out or implied in the forward-looking statements. Important factors that may cause such a difference include, but are not limited to: (i) general economic conditions, (ii) performance of financial markets, including market volatility and liquidity (iii) the extent of credit defaults, (iv) interest rate levels, (v) currency exchange rates, (vi) changes in the competitive climate, (vii) changes in laws and regulations, (viii) changes in the policies of central banks and/ or foreign governments, or supra-national entities.

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