DNB

DNB LUXEMBOURG S.A.

– Annual report 2012

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THE BOARD OF DIRECTORS

Mrs Trine LOE	Executive vice president, DNB Bank ASA London Branch - Board Member and Chairman
Mrs Ingrid TJØNNELAND	Executive vice president, DNB Bank ASA - Board Member (from 5 March 2012)
Mr Jørgen HJEMDAL	Executive director, DNB Asset Management AS - Board Member
Mr Gerhard NILSEN	Executive vice president, DNB Bank ASA - Board Member (until 5 March 2012)

REPORT OF THE BOARD OF DIRECTORS

The board is pleased to submit its report for the year ended 31 December 2012, which overall was a very satisfactory period for the bank.

While 2011 was hit by a number of shocks (e.g. the Arab spring, Japan's triple disaster, and the dramatic worsening of the European sovereign debt crisis), there were no major surprises in 2012. In line with our expectations, economic growth averaged 1.2% in the industrialised countries, 5.4% in emerging countries, and 3.3% globally.

Although free of major surprises, there were some important events during the year. As in 2011, developments in the euro zone set the tone, including measures taken by the European Central Bank and several political decisions related to giving the euro zone the framework it had been missing since its creation. A year ago we were very concerned about the possibility of a collapse of the euro zone, but the likelihood of this reduced significantly during 2012. We are now quite confident that the euro zone will survive, with all current 17 members.

Risk factors a year ago also included the potential for more unrest in the Middle East, a hard landing in China, and the impact of a polarised Congress on the US budget. Unrest has continued in the Middle East, but with no major impact on oil prices. China avoided a hard landing and while discussions about the US 2013 budget did concern the business community towards the end of the year, they did not give rise to a new downturn.

Even though growth rates did not surprise, there were fairly large variations in risk appetite over the year. World stock indices are now at their highest levels since the Lehman bankruptcy, the spread between the Italian and German government bonds and the CDS pricing on euro zone banks are at their lowest levels since summer 2011, and capital inflows are back to the euro zone. This is positive: easier access to capital at lower rates is key to supporting the recovery in industrial countries. These improvements are, however, not synonymous with a completely settled situation. The risk is still high – and is expected to remain so throughout 2013.

Overall, DNB expects growth in industrial countries of 1.5% for 2013 and around 2% for 2014–2016. DNB expects growth in emerging economies to be 3–4 times higher, suggesting global growth of 3.5% this year, and nearly 4% thereafter[1]. For developed countries, this implies that capacity utilisation will remain low and unemployment will be well above normal levels throughout the forecast period.

Despite the challenging macroeconomic conditions, the bank continued to deliver on its long-term strategic objectives, i.e. delivering high-quality private banking and mortgage services to DNB-related clients with international needs. The mortgage portfolio continued to grow steadily, to EUR212m at year-end, up more than 35% YOY. Total client assets (comprising cash deposits and securities kept under custody) also grew.

During 2012, we continued to focus on meeting the expectations of our customers, extensive travel and marketing activities, and co-operation with the parent company and other international group offices. A customer satisfaction survey conducted in the last quarter of the year indicated that our clients were, on the whole, very satisfied with the services they received from the bank.

We are delighted to note that once again the core private banking and mortgage activities firmly secured the structural profitability of the Luxembourg operation – confirmation of the adequacy of the strategic restructuring decisions made in 2009.

The year was also characterised by a high degree of stability on the administrative side, as well as considerable loyalty and dedication of staff.

While transactions were processed with no substantial delays or errors, the bank strengthened its competences and resources in the front office, operations and IT. The composition of the boards of the two DNB group entities based in Luxembourg (the Bank and DNB Asset Management Luxembourg S.A.) also remained fully aligned, allowing for business and administrative synergies between the units.

[1] Source and further details: DNB Markets Economic Outlook, January 2013 https://www.dnb.no/portalfront/nedlast/no/markets/analyser-rapporter/norske/okonomiske-utsikter/HR130116.pdf?popup=true

The financial results achieved by the bank reflect the developments mentioned above, and are a continuation of the positive trend seen in previous years.

The relatively stable operating income (EUR9.9m, compared to EUR10.1m in 2011) was the result of two quite opposing factors: 1) the repatriation of the bank-guaranteed loans portfolio to the parent company, which was completed by end-2011, but still generated estimated residual income of EUR1.6m during the period; and 2) income growth from the bank's private banking and mortgage activities, from EUR8m in 2011 to EUR8.9m. Also, the release of excess restructuring provisions contributed EUR0.35m to the 2012 operating result.

Operating costs rose from EUR5.6m to EUR6m following a general increase in activity levels.

This gave operating profit of EUR3.9m (2011 EUR4.4m). Taking into account the impact of movements in general provisions and taxes, the bank ended the financial year with net profit of EUR2.9m (2011 EUR3.5m).

The change in the balance sheet

(from EUR1,126m at end-2011 to EUR1,044m at end-2012) was primarily a consequence of movements in the mortgage loan portfolio and customer cash balances.

Solvency and liquidity ratios exceeded the legal requirements at all times. At year-end the bank was in a fully self-funded position, with volumes of customer cash deposits double its loan commitments.

We are aiming for another successful year in 2013, retaining our main objectives: meeting our customers' expectations, continued and controlled growth for our private banking and mortgage lending businesses, continued integration in and satisfactory level of financial contribution to the group, and an attractive work environment for our employees.

The bank obviously recognises the potential impact of prevailing macroeconomic conditions. However, as part of the DNB group, it feels well-equipped to meet the business, operational, and regulatory challenges that might arise.

Regarding the risk management strategy, the bank aims to keep a conservative and moderate profile through its various business lines.

Management is closely involved in the risk management processes. It has overall responsibility for the supervision of control, capital adequacy, and liquidity of the bank.

The bank has minor exposure to interbank counterparty and market risks, as all customers' transactions on interest rates and foreign exchange are covered by the parent company.

The bank offers mortgage loan facilities to select customers. These are secured by properties in France and Spain, and are granted for amounts up to 70% of property value.

Despite this indirect exposure to the real estate markets, the bank believes this activity presents an overall low risk profile, thanks to a strict credit acceptance policy (including a strong focus on clients' creditworthiness and no 'project financing' of any type), continual development of in-house credit competence, and close co-operation with the group credit department. As at 31 December 2012, loan loss provisions were limited to EUR0.1m.

In addition, the bank issues investment loans to some private banking customers (EUR45m at end-2012). These are used mainly to invest in low- to medium-risk securities, which together with cash deposits are pledged to cover the exposure. The collateral value of securities is weighted according to the associated risk level; the market value of pledged assets and the subsequent 'security ratio' of each loan are monitored on a daily basis. This activity has historically caused no losses for the bank.

The bank monitors the various operational, legal, and other business-related risks through a set of policies, including: a proactive approach (including the involvement of management) to risk identification, evaluation and mitigation, and to compliance with legal and regulatory developments; permanent improvement and streamlining of operating routines; and close follow-up on operational incidents and comments made by the audit and compliance functions.

In accordance with article 70 of Luxembourg law 17/06/1992 relating to the accounts of credit institutions, we confirm that no events of importance have occurred since the end of the financial year; we also confirm that the bank does not have a subsidiary, branch or representative office.

During 2011, the bank had no activities in the field of research and development; neither did it acquire any of its own shares.

The board of directors would also like to express its gratitude to the bank's employees and business partners for a fruitful collaboration during 2012.

The board of directors recommends that the annual accounts be presented for approval at the AGM. It also recommends that the net profit for the year of EUR2,979,135, together with results brought forward from previous years be allocated as follows: dividend payable to shareholders EUR2,200,000; transfer to 'net worth tax reserve' (cf. note 24 to the accounts) EUR750,000, and the balance carried forward.

Luxembourg, 28 February 2013

ANNUAL ACCOUNTS

BALANCE SHEET- ASSETS
(EUR)

	Note	2012	2011
Cash, balances with central banks and post office banks	**3**	**9,906,682**	**20,982,351**
Loans and advances to credit institutions	**3, 4, 8**	**772,784,618**	**883,173,935**
a) repayable on demand		144,256,834	49,147,051
b) other loans and advances		628,527,784	834,026,884
Loans and advances to customers	**3, 5, 22**	**257,921,195**	**218,312,269**
Tangible assets	**6**	**1,199,795**	**856,708**
Other assets	**7**	**442,340**	**317,778**
Prepayments and accrued income		**2,217,488**	**3,062,143**
Total assets	**9**	**1,044,472,118**	**1,126,705,184**

BALANCE SHEET- LIABILITIES
(EUR)

	Note	2012	2011
Amounts owed to credit institutions	**3, 12**	**490,533,654**	**456,333,016**
a) repayable on demand		3,515,514	10,688,634
b) with agreed maturity dates or periods of notice		487,018,140	445,644,382
Amounts owed to customers	**3, 12**	**519,448,912**	**634,275,438**
a) repayable on demand		133,750,901	66,268,244
b) with agreed maturity dates or periods of notice		385,698,011	568,007,194
Debt evidenced by certificates		**---**	**231,552**
a) others		---	231,552
Other liabilities	**7**	**432,766**	**277,657**
a) preferential creditors		432,766	277,657
b) sundry creditors			---
Accruals and deferred income		**1,086,920**	**1,507,453**
Provisions		**4,507,466**	**5,396,803**
a) provisions for taxation		2,018,923	2,592,436
b) other provisions	**23**	2,488,543	2,804,367
Subscribed capital	**10**	**17,352,547**	**17,352,547**
Reserves	**11, 24**	**4,385,254**	**3,725,254**
Profit brought forward	**11**	**3,745,464**	**4,064,925**
Profit for the financial year		**2,979,135**	**3,540,539**
Total liabilities	**13**	**1,044,472,118**	**1,126,705,184**

OFF BALANCE SHEET
(EUR)

	Note	2012	2011
Contingent liabilities	**3, 14**	**2,118,000**	**1,895,750**
of which:			
- guarantees and assets pledged as collateral security		2,118,000	1,895,750
Commitments	**3, 15**	**57,445,972**	**48,583,055**

PROFIT AND LOSS ACCOUNT
(EUR)

	Note	2012	2011
Interest received and similar income		**19,921,457**	**15,102,349**
Interest paid and similar charges		**(13,502,499)**	**(7,842,545)**
Commission received		**3,020,796**	**2,863,166**
Commission paid		**(170,192)**	**(304,787)**
Net profit on financial operations		**2,758**	**759**
Other operating income	**19**	**707,479**	**293,315**
General administrative expenses		**(5,826,173)**	**(5,238,156)**
a) staff costs	**21, 22**	(3,461,783)	(3,228,957)
of which:			
- wages and salaries		(2,986,697)	(2,785,321)
- social security costs		(287,409)	(244,228)
of which:			
- social security costs relating to pensions		(221,305)	(188,568)
b) other administrative expenses	**25**	(2,364,390)	(2,009,199)
Value adjustment in respect of tangible assets		**(254,068)**	**(268,597)**
Other operating charges	**20**	**(26,062)**	**(143,833)**
Value adjustment in respect of loans and advances and provisions for contingent liabilities and commitments		**(121,830)**	**(100)**
Profit before tax		**3,751,666**	**4,361,671**
Tax on profit on ordinary activities		**(772,531)**	**(821,132)**
Profit for the financial year		**2,979,135**	**3,540,539**

NOTES TO THE ACCOUNTS

Note 1 General

1.1. Corporate matters

DNB Luxembourg S.A., (hereafter “the Bank”), was established in Luxembourg on 3 January 1985 as a public limited company under Luxembourg law. The Bank is a wholly owned subsidiary of DNB Bank ASA, whose head office is at Dronning Eufemias gate 30, N-0191 Oslo. The consolidated accounts of DNB Bank ASA are available at its head office. The ultimate parent company is DNB ASA whose consolidated accounts can be obtained at the above address.

The Board of Directors consists of senior executives of DNB Bank ASA. The business policies and valuation principles applied by the Bank, unless prescribed by Luxembourg rules and regulations, are determined and monitored by the Board of Directors.

As of 31 December 2012, the registered office of the Bank is at 13, rue Goethe, L-1637 Luxembourg. The register number is R.C.S. No. B 22.374.

1.2. Nature of the Bank's business

The Bank is involved in credit and private banking activities.

The Bank's main products and services are the following:

- Current accounts and time deposits,
- Securities investments and custody,
- Foreign exchange transactions,
- Lombard (“money market” or “investment”) loans,
- Mortgage loans.

1.3. Annual accounts

The Bank prepares its annual accounts in Euro (EUR), the currency in which the capital is expressed.

The Bank's accounting year coincides with the calendar year.

Note 2 Summary of significant accounting policies

The Bank prepares its annual accounts under the historical cost principle, in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and on the basis of accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg.

The accounting policies and the valuation principles are determined and applied by the Board of Directors, except those which are defined by law and by the Commission de Surveillance du Secteur Financier.

In observing these, the following significant accounting policies are applied:

2.1. The date of recording of transactions in the balance sheet

Assets and liabilities are stated in the balance sheet according to when the amounts concerned become cleared funds, that is, their date of effective transfer.

2.2. Foreign currencies

The Bank maintains a multi-currency accounting system which records all transactions in the currency or currencies of the transaction on the day on which the contract is concluded.

Revenues and expenses in foreign currencies are translated into EUR daily at the prevailing exchange rates.

Tangible fixed assets in foreign currencies not covered in either the spot or forward market are translated into EUR at the rate of exchange ruling at the date of their acquisition. All other assets and liabilities are converted into EUR at the average of the buy and sell spot rates applicable at the balance sheet date. Both realised and unrealised profits and losses arising on revaluation are accounted for in the profit and loss account for the year, except for those on assets and liabilities specifically covered by operations assimilated to swaps. The revaluation of these transactions does not affect the profit and loss account since any revaluation gains or losses are posted to the transitory accounts and not to the profit and loss account.

At the year end all uncompleted forward transactions are translated into EUR at the forward rate applicable for the remaining term ruling on the balance sheet date.

Uncovered forward transactions are valued individually on the basis of forward exchange rates applicable at the balance sheet date. Unrealised revaluation profits are ignored, whereas a provision is set up in respect of any unrealised revaluation losses. This provision is included on the liabilities side of the balance sheet under “Provisions: other provisions”.

Note 2 Summary of significant accounting policies (continued)

2.3. Derivative financial instruments

The Bank's commitments deriving from derivative financial instruments are recorded on the transaction date as off balance sheet items.

At the year end, where necessary, a provision is set up in respect of individual unrealised losses resulting from the revaluation of the Bank's commitments at market value. This provision is included on the liabilities side of the balance sheet under “Provisions: other provisions”.

No provision is set up in those cases where a financial instrument clearly covers an asset or a liability and economic unity is established or where a financial instrument is hedged by a reverse transaction so that no open position exists.

2.4. Trading book

The Bank does not hold any trading book. However, as per the Article 56 of the Law of April 1993, as amended, on the accounts of banks, the Bank would classify the following items, if any, in the trading book:

- securities trading book as defined in the banking law,
- securities underwriting if not held-to-maturity,
- trading financial derivatives.

2.5. Specific value adjustments in respect of doubtful and irrecoverable debts

It is the Bank's policy to establish specific value adjustments in respect of doubtful and irrecoverable debts, as deemed appropriate by the Board of Directors.

Value adjustments, if any, are deducted from the assets items to which they relate.

Note 2 Summary of significant accounting policies (continued)

2.6. Lump sum provision for risk exposures

In accordance with the Luxembourg tax legislation, it is the Bank's policy to establish a lump sum provision for risk exposures, as defined in the legislation governing prudential supervision of banks. The purpose of the provision is to take account of risks, which are likely to crystallise but which have not yet been identified as at the date of preparation of the annual accounts.

Pursuant to the Instructions issued by the “Direction des Contributions” on 16 December 1997, this provision is made before taxation and may not exceed 1.25% of the Bank’s risk exposures.

The lump sum provision for risk exposures is broken down in proportion to the weighting of the items which form the basis for its calculation, between:

- a portion which is deemed to represent a value adjustment, and which is deducted from the assets items which constitute risk exposures; and
- a portion which is deemed to represent a provision attributable to credit risk associated with off balance sheet items, foreign exchange risk and market risks, and which is shown among the liabilities items under “Provisions: other provisions”.

As of 31 December 2012 and 2011, the lump sum provision amounts to EUR 1,600,312 and EUR 1,500,312 and is fully deducted from the loans to customers caption.

2.7. Loans and advances

Loans and advances are stated at their acquisition price. The policy of the Bank is to establish specific provisions for doubtful debts in accordance with the circumstances and for amounts specified by the Board of Directors. These provisions are deducted from the appropriate asset account balances and shall not be maintained if the reasons for which they were recorded no longer exist.

2.8. Transferable securities

Transferable securities are recorded initially at their purchase price, plus additional charges. The average cost method is used to determine the acquisition costs.

Note 2 Summary of significant accounting policies (continued)

2.9. Debt securities and other fixed income securities

The Bank has divided its portfolio of fixed income securities into three categories, whose principal characteristics are the following:

- an investment portfolio of financial fixed assets, which are intended to be used on a continuing basis in the Bank's activities;
- a trading portfolio of securities purchased with the intention of resale in the short term; and
- a structural portfolio of securities which do not fall within either of the two other categories.

As at 31 December 2012 and 2011, the Bank does not hold any securities.

Fixed income securities are valued as follows:

- they are valued at purchase price in those cases where the conditions set out by the relevant authorities in the Banking Regulations are fulfilled;
- otherwise they are valued at the lower of cost or market value.

2.10. Tangible fixed assets

Tangible fixed assets are valued at purchase price less accumulated depreciation. The accumulated depreciation is calculated to write off the value of such assets systematically over their useful economic lives.

Fixtures and fittings costing less than EUR 1,000 or whose expected useful lives are not expected to exceed the current year are charged directly to the profit and loss account for the year.

2.11. Taxes

Taxes are accounted for on an accrual basis.

Note 3 Analysis of primary financial instruments

The primary financial assets and liabilities are presented according to their remaining lifetime to final maturity as follows:

2012 EUR 000	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash, balance with central banks and post office banks	9,906	---	---	---	**9,906**
Loans and advances to credit institutions	537,642	235,143	---	---	**772,785**
Loans and advances to customers	47,551	524	4,958	204,888	**257,921**
	595,099	**235,667**	**4,958**	**204,888**	**1,040,612**
Amounts owed to credit institutions	255,620	234,914	---	---	**490,534**
Amounts owed to customers	514,562	4,886	---	---	**519,448**
Contingent liabilities	61	740	1,317	---	**2,118**
Commitments	6,660	31,870	5,559	13,357	**57,446**
	776,903	**272,410**	**6,876**	**13,357**	**1,069,546**

2011 EUR 000	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash, balance with central banks and post office banks	20,982	---	---	---	**20,982**
Loans and advances to credit institutions	633,686	249,488	---	---	**883,174**
Loans and advances to customers	61,548	972	4,676	151,116	**218,312**
	716,216	**250,460**	**4,676**	**151,116**	**1,122,468**
Amounts owed to credit institutions	212,131	244,202	---	---	**456,333**
Amounts owed to customers	617,446	16,829	---	---	**634,275**
Contingent liabilities	230	311	1,355	---	**1,896**
Commitments	6,401	31,936	7,769	2,477	**48,583**
	836,208	**293,278**	**9,124**	**2,477**	**1,141,087**

Note 4 Loans and advances to credit institutions

The geographical distribution of loans and advances to credit institutions, including those repayable on demand, is as follows:

	2012 EUR 000	2011 EUR 000
European Union	915	4,100
Other OECD countries	771,870	879,074
	772,785	**883,174**

Note 5 Loans and advances to customers

The geographical distribution of loans and advances to customers is as follows:

	2012 EUR 000	2011 EUR 000
European Union	62,146	48,739
Other OECD countries	167,892	132,939
Other countries	27,883	36,634
	257,921	**218,312**

Note 6 Movements in tangible assets

The following movements have occurred in the Bank's tangible assets in the course of the financial year:

	Gross value at the beginning of the financial year EUR	Additions EUR	Disposals EUR	Gross value at the end of the financial year EUR	Cumulative value adjustments at the end of the financial year EUR	Net value at the end of the financial year EUR
Tangible assets of which:	5,262,797	597,155	3,394,699	2,465,253	1,265,458	1,199,795
Other fixtures and fittings, tools and equipment	5,262,797	597,155	3,394,699	2,465,253	1,265,458	1,199,795

Note 7 Other assets, other liabilities

Other assets primarily represent short term receivables.

Other liabilities primarily represent short term payables.

Note 8 Related parties balances – assets

As at 31 December 2012, loans and advances to credit institutions amounting to EUR 772,784,618 (2011: EUR 883,173,935) include the following balances with related parties:

	Affiliated undertakings 2012 EUR	**Affiliated undertakings 2011 EUR**
Loans and advances to credit institutions	769,889,655	875,571,476

Following the Bank’s request, the CSSF has approved the total exemption of the risks taken on the DNB Group in the context of the calculation of the large risks exposures in accordance with Part XVI, point 24 of the CSSF Circular 06/273, as amended.

Following the Bank’s request, the CSSF has also approved the netting of intercompany assets with intercompany liabilities in the context of the calculation of the capital adequacy ratio, within the limits permitted by Part IX, point 13 of the CSSF Circular 06/273, as amended.

Note 9 Foreign currency assets

As at 31 December 2012, the aggregate amount of the Bank's assets denominated in currencies other than EUR net of related value adjustments denominated in foreign currencies, converted to EUR, is EUR 747,120,602 (2011: EUR 907,577,945).

Note 10 Subscribed capital

As at 31 December 2012 and 2011, the Bank’s authorised capital amounts to EUR 17,352,547 represented by 70,000 shares with a nominal value of EUR 247.89 each. All the shares have been fully subscribed and are fully paid up.

Note 11 Movements in reserves and profit brought forward

	Legal reserve EUR	Special reserve (Note 24) EUR	Profit Brought Forward EUR
Balance at 31 December 2011	1,735,254	1,990,000	4,064,925
Profit for the year ended 31 December 2011	---	---	3,540,539
Transfers from/to special reserve (note 24)	---	660,000	(660,000)
Dividends paid out	---	---	(3,200,000)
Balance at 31 December 2012	**1,735,254**	**2,650,000**	**3,745,464**

Under Luxembourg law, the Bank must appropriate to a legal reserve an amount equivalent to at least 5% of the annual net profit until such reserve is equal to 10% of the share capital. This appropriation is made in the following year. Distribution of the legal reserve is restricted for the proportion equal to 10% of the share capital.

Note 12 Related parties balances – liabilities

As at 31 December 2012, amounts owed to credit institutions and customers amounting respectively to EUR 490,533,654 (2011: EUR 456,333,016) and EUR 519,448,912 (2011: EUR 634,275,438) include the following balances with related parties.

	Affiliated undertakings 2012 EUR	Affiliated undertakings 2011 EUR
Amounts owed to credit institutions	490,452,728	456,332,641
Amounts owed to customers	5,147,568	5,054,259
	495,600,296	**461,386,900**

Note 13 Foreign currency liabilities

As at 31 December 2012, the aggregate amount of the Bank’s liabilities denominated in currencies other than Euro, converted to EUR , is EUR 747,157,013 (2011: EUR 907,626,373).

Note 14 Contingent liabilities

The geographical distribution of contingent liabilities is as follows:

	2012 EUR 000	2011 EUR 000
European Union	1,060	779
Other OECD countries	675	717
Other countries	383	400
	2,118	**1,896**

The economic sector of contingent liabilities is as follows:

	2012 EUR 000	2011 EUR 000
Corporate Bodies	298	201
Natural Persons	1,820	1,695
	2,118	**1,896**

As at 31 December 2012, the Bank’s contingent liabilities of EUR 2,118,000 (2011: EUR 1,895,750) represent principally guarantees issued by the Bank in favor of clients.

As at 31 December 2012 and 2011, there were no contingent liabilities with affiliated entities.

Note 15 Commitments

The geographical distribution of commitments is as follows:

	2012 EUR 000	2011 EUR 000
European Union	20,843	12,048
Other OECD countries	18,414	12,647
Other countries	18,189	23,888
	57,446	**48,583**

The economic sector of commitments is as follows:

	2012 EUR 000	2011 EUR 000
Corporate bodies	24,088	24,201
Natural Persons	33,357	24,382
	57,446	**48,583**

As at 31 December 2012, the Bank's commitments of EUR 57,445,972 (2011: EUR 48,583,055) represent exclusively unused confirmed credit lines.

As at 31 December 2012 and 2011, there were no commitments with affiliated entities.

Note 16 Operations linked to currency exchange rates, interest rates and other market rates – analysis of financial derivatives

Forward operations linked to currency exchange rates and interest rate swaps (IRS) were outstanding as at 31 December 2012. These were all made on behalf of customers, and were all covered with the Bank's parent company.
Moreover, the Bank contracted IRS and equity swaps with the Bank's parent company to hedge some balance sheet positions.

Analysis of financial derivatives

The non-trading financial derivatives linked to exchange rates, interest rates and other market rates are analyzed by type of instrument and remaining maturity as follows:

2012 (notional amount in 000 EUR)	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**Total**
Operations linked to currency exchange rates				
Over-the-counter (OTC) contracts	46,856	96,951	11,292	155,099
Forward exchange transactions (*)	270	---	---	270
Total	**47,126**	**96,951**	**11,292**	**155,369**
	Less than 12 months	**1 - 5 years**	**More than 5 years**	**Total**
Operations linked to interest rates				
Over-the-counter (OTC) contracts				
Interest rate swap (**)	---	8,804	48,242	57,046

(*) Amounts to be delivered
(**) Notional amounts

Note 16 Operations linked to currency exchange rates, interest rates and other market rates – analysis of financial derivatives (continued)

2011 (notional amount in 000 EUR)	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**Total**
Operations linked to currency exchange rates				
Over-the-counter (OTC) contracts				
Forward exchange transactions (*)	100,116	5,296	209	105,621
Spot transactions (*)	717	---	---	717
Total	**100,833**	**5,296**	**209**	**106,338**
Operations linked to interest rates				
Over-the-counter (OTC) contracts				
Interest rate swap (**)	---	---	3,900	3,900
Operations linked to other market rates				
Over-the-counter (OTC) contracts				
Equity swaps (**)	---	231	---	231

(*) Amounts to be delivered
(**) Notional amounts

Note 16 Operations linked to currency exchange rates, interest rates and other market rates – analysis of financial derivatives (continued)

As at 31 December 2012 and 2011, the market value of financial derivatives is as follows:

	2012 EUR	2011 EUR
Operations linked to currency exchange rates		
Over-the-counter (OTC) contracts		
Forward exchange transactions		
Positive results	3,725,529	877,386
Negative results	(3,658,396)	(825,800)
Total	**67,133**	**51,586**
Operations linked to interest rates		
Over-the-counter (OTC) contracts		
Interest rate swap		
Positive results	1,170,158	---
Negative results	(780,882)	(176,787)
Total	**389,276**	**176,787**

	2012 EUR	2011 EUR
Operations linked to other market rates		
Over-the-counter (OTC) contracts		
Equity swaps		
Positive results	---	---
Negative results	---	(1,961)
Total	**---**	**(1,961)**

Note 17 Credit risk information – financial derivatives

The net credit risk exposure is calculated in accordance with the requirements of CSSF Circular 06/273 as amended on the definition of capital adequacy ratios pursuant to Article 56 of the Law of 5 April 1993 on the financial sector, as amended. The Net risk exposure is calculated according to the “market value method”.

2012 (notional amount in EUR)	**Fair Value**	**Notional amount**	**Net risk exposure**
Operations linked to currency exchange rates			
Over-the-counter (OTC) contracts			
Forward exchange transactions			
Banking counterparties	1,972,194	77,683,562	2,749,030
Private customers	1,753,335	77,483,128	2,528,166
Total	**3,725,529**	**155,166,690**	**5,277,196**
Operations linked in interest rates			
Over-the-counter (OTC) contracts			
Interest rate swap			
Banking counterparties	894,414	19,843,532	1,192,067
Private customers	275,744	14,720,190	496,547
Total	**1,170,158**	**34,563,722**	**1,688,614**

Note 17 Credit risk information – financial derivatives (continued)

2011 **(notional amount in EUR)**	**Fair Value**	**Notional amount**	**Net risk exposure**
Operations linked to currency exchange rates			
Over-the-counter (OTC) contracts			
Forward exchange transactions			
Banking counterparties	621,913	52,592,643	1,147,839
Private customers	255,473	53,028,036	785,753
Total	**877,386**	**105,620,679**	**1,933,592**
Operations linked in interest rates			
Over-the-counter (OTC) contracts			
Interest rate swap			
Banking counterparties	--- (*)	3,900,000	25,768
Operations linked to other market rates			
Over-the-counter (OTC) contracts			
Equity swaps			
Banking counterparties	--- (*)	231,000	13,860

(*) Considering the fair values are negative (refer to note 16).

Note 18 Investment management services and underwriting functions

The Bank provides management and agency services to third parties.

Management and agency services consist of:

- Portfolio advice and portfolio management,
- Custody and administration of transferable securities.

Note 19 Other operating income

Other operating income for the year ended 31 December 2012 consists of:

	2012 EUR	2011 EUR
- release of operating and restructuring provisions	363,087	60,000
- income from sub-rental of premises	316,845	218,164
- refunds from AGDL (refer to note 23)	14,272	15,151
- tax refunds	13,275	---
	707,479	**293,315**

Note 20 Other operating charges

Main item under “Other operating charges” for the year ended 31 December 2012 is the allowance made to AGDL provision for EUR 14,272 (2011: EUR 115,152) (refer to Note 23).

Note 21 Staff numbers

The number of persons employed by the Bank is as at 31 December:

	2012 Number	2011 Number
Management	4	4
Employees	24	20
	28	**24**

Note 22 Management remuneration

The Bank has granted the following remuneration to the members of the administrative and managerial bodies of the Bank (2012: 4 persons; 2011: 4 persons):

	2012 EUR	2011 EUR
Managerial body	**747,070**	**727,151**

The Bank has entered into loans amounting to EUR 411,250 to current and former members of the administrative and managerial bodies (2011: EUR 288,750).

The Bank has not entered into any other advances, commitments or guarantees on behalf of the current and former members of the administrative and managerial bodies (2011: EUR nil).

Note 23 Deposit guarantee scheme

On 25 September 1989, all credit institutions in the Luxembourg banking sector became members of the non-profit making association "Association pour la Garantie des Dépôts, Luxembourg" ("AGDL").

In accordance with the Law of 5 April 1993 as amended by the Law of 19 December 2008, the sole object of AGDL is the establishment of a mutual guarantee scheme covering deposits made by customers of member credit institutions ("the Guarantee"). The customers covered by the Guarantee include all depositors who are physical persons, whatever their nationality or country of residence. Also covered by the Guarantee are small companies constituted under the law of a Member State of the European Union, whose size is such that they would be permitted to draw up abbreviated accounts pursuant to Article 39 of the Law of 19 December 2002 on commercial companies, as amended.

With respect to each member, the Guarantee is limited to a maximum amount per depositor of EUR 100,000 or its foreign currency equivalent. No depositor can receive more than this sum, regardless of the number of accounts or deposits held in the sole or joint name of the depositor with the same credit institution.

The Law of 27 July 2000 stipulates that banks must also belong to an investment guarantee scheme. This additional Guarantee covers the reimbursement of claims resulting from investment transactions up to the amount of EUR 20,000.

The amount of the Guarantee represents an absolute figure and cannot be increased by any interest charges or any other amounts.

The total amount of the Guarantees which will in no case exceed EUR 120,000 per customer (EUR 100,000 deposit guarantee and EUR 20,000 investor compensation) represents an absolute figure and cannot be increased by any interest, charges or any other amount.

As at 31 December 2012 and 2011, the Bank set up a provision in recognition of its potential liabilities under the Guarantees. The amount is included on the liabilities side of the balance sheet under "Provisions: other provisions".

Over 2011, partial refunds totaling EUR 14,272 were recovered in relation to the Bank's contribution to the respite of payment occurred by three Luxembourg subsidiaries of Icelandic banks back in 2008/2010, and booked as other operating income.

Transfers to the AGDL provision totaling EUR 14,272 (2011: EUR 115,152) were also booked as other operating charges. As at 31 December 2012, the AGDL provision amounts to EUR 1,226,951 (2011: EUR 1,212,679).

Note 24 Special reserve for net worth tax credit

Since 1998, the Bank has where relevant made yearly allocations for an amount equal to 5 times the theoretical net worth tax amount to a special reserve account, which it committed itself to maintain for 5 years from the year of the respective allocations.

This was made in accordance with Luxembourg tax law, in order to benefit of a credit for that net worth tax charge. The status of the special reserve account is as follows:

Special reserve created in respect to the year:	**2012** **EUR**	**2011** **EUR**
2008	660,000	660,000
2009	680,000	680,000
2010	650,000	650,000
2011	660,000	---
	2,650,000	**1,990,000**

When allocating the net result for the year ended 31 December 2012, an amount of EUR 750,000 will be allocated to the special reserve for net worth tax credit.

Note 25 Remuneration of the independent auditor

The fees paid by the Bank to its audit firm excluding VAT were:

	2012 **EUR**	**2011** **EUR**
Statutory Audit	90,000	87,937

Independent auditor's report

To the Board of Directors of
DNB Luxembourg S.A.
13, rue Goethe
L-1637 Luxembourg

Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of DNB Luxembourg S.A., which comprise the balance sheet as at 31 December 2012 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Responsibility of the “réviseur d’entreprises agréé” (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of DNB Luxembourg S.A. as of 31 December 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

Luxembourg, 28 February 2013

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Annual accounts as at 31 December 2012,
Management report, and
Independent auditor's report