DNB LUXEMBOURG S.A.
Annual report 2014

DNB

DNB

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The Board of Directors

Mr Tom RATHKE	Group vice president, Wealth Management - Board Member and Chairman
Mrs Trine LOE	Executive vice president, DNB Bank ASA London Branch - Board Member
Mr Håkon HANSEN	Managing Director, DNB Luxembourg S.A. - Board Member

Report of the Board of Directors

The Board of Directors ("Board") is pleased to submit its report for the year ending 31 December 2014, which has, on the whole, been a very satisfactory period for the Bank.

Global economic growth came to 3.2 per cent in 2014, almost ½ percentage point lower than what DNB forecast at the beginning of the year. Seeing as the news have been dominated by conflicts and crises this was perhaps better than might have been feared. Last year, the U.S. economy finally took off, the Eurozone continued to disappoint (and the euro fell) and China took over the yellow leader's jersey as the world's biggest economy while continuing its controlled growth slowdown. 2014 was also the year of the biggest fall in oil prices since the financial crisis. The term "oil brake" has taken on a new meaning in Norwegian and now refers to the oil-induced slowdown.
Economic growth in 2015 is not expected to be much more than 2 per cent growth in the rich half of the world. Even though growth has picked up a bit for many of Norway's trading partners, a number of countries are also on the brink of deflation. 2015 will also be the year when central banks come to a parting of the ways. The ECB and Bank of Japan will continue to give full throttle while the central banks in the UK and USA gradually will ease up on the gas pedal. We expect economic growth in the emerging half of the global economy to remain at around 4½ per cent and that global growth will come to 3½ per cent this year, which we also expect in the years 2016-2018.
In Norway, the fall in oil prices last autumn will intensify the long-anticipated slowdown in the oil industry. We expect most of the rise in investments on the Norwegian continental shelf in the years from 2011 to 2013 to be reversed over the next three years. This will leave imprints in the form of a drop in mainland investments, more cautious households and moderate collective wage settlements. It will also put a damper on growth in parts of the export sector. The oil slump will, however, not break the Norwegian economy. Mainland economic growth will only come to 1.2 per cent this year but is thereafter expected to rise to about 2.5 per cent in 2018. Slower growth in labor immigration will probably dampen the rise in unemployment. Monetary and fiscal policies will help stimulate the economy and the certainty that there is political room for maneuver will bolster confidence among households and businesses. In addition, the weak Norwegian krone will help improve the competition situation in Norwegian companies that have foreign competitors in both the domestic and export markets. The same applies to the oil service industry. Inflation will be temporarily propped up by the weakening of the Norwegian krone but will drop below Norges Bank's target on the medium-long term as a result of weaker cost growth. The key policy rate was cut in December. It may be cut further to 1.0 per cent in June, and could remain at this record-low level until March 2017[1].

Under these macroeconomic conditions, the Bank continued to successfully follow 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 at a steady pace, to a total of EUR 459m at the end of the year, an increase of over 54% compared to 2013. Total client assets, consisting of cash deposits and securities under custody, grew substantially as well.

[1] Source and further details : DNB Markets Economic Outlook, January 2015.
https://www.dnb.no/portalfront/nedlast/no/markets/analyser-rapporter/norske/okonomiske-utsikter/HR140115.pdf

We continued to place emphasis on meeting the expectations of our customers, extensive travel and marketing activities, and co-operation with the parent company and other international offices in the DNB Group. Our core focus continues to be on Scandinavian (primarily Norwegian) customers, but we are also selectively targeting customers from other (primarily West European) countries and customers that have business relationships with other entities in the DNB group.
A number of new prospects were also referred by existing clients. This, together with the high level customer satisfaction according to the survey carried out last year, evidences the Bank's continued attention to providing high-quality service to its client base.

From a structural perspective, the Bank is still part of the Group Private Banking division under the business area DNB Wealth Management. However, it still maintains strong business links to the Large Corporates and International (LCI) area and LCI's London operations in particular. In the course of the year, the cooperation between the two DNB Group entities based in Luxembourg – i.e. the Bank and DNB Asset Management Luxembourg S.A.- was further reinforced. As a concrete example, the Managing Director of the Bank is now also in charge of the Asset Management company.

The year was also characterized by a high degree of loyalty and dedication of our staff, as evidenced by high value of employee satisfaction index. The staffs in the Front Office, Operations and IT areas were strengthened further, in order to accommodate the growth experienced over the past, and still have resources available to implement our expansion plans for the coming year(s).
On the whole, transactions were processed without any major operating errors or customer complaints. In addition, the outcome of various audits performed during the year was largely positive.

From a financial perspective, we are delighted to confirm that the core private banking and mortgage activities are ensuring the structural profitability of the Bank.
The increase in operating income (EUR 15.6m, compared to EUR 12.3m in 2013) reflects substantial growth in both private banking activity and mortgage lending. Operating costs rose from EUR 7.1m to EUR 8.6m following a general increase in activity levels, and investments made – primarily in systems and additional staff - in order to fuel the Bank's future development.
This resulted in an operating profit of EUR 7m (2013: EUR 5.2m). After taxes, the Bank ended the financial year with a net profit of EUR 6m (2013: EUR 4.5m).
The increase in the total balance sheet (to EUR 1,986m from EUR 1,739m at the end of 2013) is primarily due to changes in the mortgage loan portfolio and customer cash balances, together with exchange rate fluctuations
The Bank meets all requirements with respect to financial ratios, including solvency and liquidity requirements. The Bank was also in a fully self-funded position at all times, and the volume of customer cash deposits was at least twice as high as the loan commitments.

We are aiming for another successful year in 2015, and are sticking to the same main objectives as before, i.e. meeting our customers' expectations, continued and controlled growth for our private banking and mortgage lending businesses, continued integration with and a satisfactory level of financial contribution to the Group, as well as an attractive working environment for our employees.
The complete replacement of the core banking IT systems is another key objective for the newly started year. It will provide the Bank with additional business functionalities, and will facilitate the fulfilment of a number of upcoming regulatory, (tax) reporting and compliance requirements.

The Bank obviously recognizes that its business may be affected to some extent by the prevailing macroeconomic conditions. However, as part of the DNB group, it feels well-equipped to meet the various business, operational and regulatory challenges that may arise.

The Bank's risk management strategy entails maintaining a conservative and moderate profile in the different business areas.
Management is closely involved in the risk management processes. It has overall responsibility for the supervision of controls, capital adequacy, and liquidity of the Bank.
The Bank has limited exposure to interbank counterparty and market risks, as all of the customers' interest rate and foreign exchange transactions are covered by the parent company.
The Bank offers residential mortgage loans to selected customers . These loans are mainly secured by mortgages on properties in France and Spain, and are granted for amounts up to 70 per cent of property value.
Despite this indirect exposure to real estate markets, these loans are deemed to represent relatively low risk, thanks to the Bank's strict lending policy, which includes strong focus on clients' creditworthiness, and no "project financing" of any type, continuous development of in-house credit expertise, and close cooperation with the Group credit department. As per 31 December 2014, loan loss provisions were limited to EUR 0.1m (2013: EUR 0.1m).

In addition, the Bank grants investment loans to some of its private banking customers (EUR 85m at the end of 2014 – EUR 60m at the end of 2013). These are mainly used to invest in low to medium-risk securities which, together with cash deposits, are pledged as collateral to secure the exposure. The collateral value of securities is weighted according to the associated risk level. The market value of pledged assets and the subsequent loan-to-collateral ratio of each loan are monitored on a daily basis. This lending activity has historically never entailed any losses for the bank.
The Bank manages the various operational, legal, and other business-related risks through a number of processes including: a proactive approach (involving management participation), risk identification, evaluation and mitigation, compliance with legal and regulatory requirements, continuous improvement and streamlining of operating procedures, as well as close follow-up of operational incidents and input from the audit and compliance functions. In addition, the Bank further strengthened its risk management by appointing a full time risk manager in the beginning of 2015.

In accordance with article 70 of Luxembourg law 17/06/1992 relating to the accounts of credit institutions, we confirm that no significant events have occurred since the end of the financial year. We also confirm that the Bank does not have a subsidiary, branch or representative office.
The Bank had no activities in the field of research and development and did not purchase any of its own shares during the course of the year.

The Board of Directors would like to express its gratitude to the Bank's employees and business partners for their fruitful collaboration during 2014.

The Board of Directors recommends that the annual accounts be presented for approval at the Annual General Meeting. It also recommends that the net profit for the year EUR 5,985,434, together with results brought forward from previous years be allocated as follows: transfer to "net worth tax reserve" EUR 980,000 (cf. note 25 to the accounts) and the balance to result carried forward.

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 2014 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.

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 2014, 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, 6 March 2015

DNB Luxembourg S.A.

Balance sheet
As of 31 December 2014
(expressed in euros)

Assets

	Note(s)	2014	2013
Cash, balances with central banks and post office banks	**3**	**17,357,070**	**13,506,495**
Loans and advances to credit institutions	**3, 4, 9**	**1,418,446,762**	**1,368,950,581**
a) repayable on demand		194,704,231	208,191,484
b) other loans and advances		1,223,742,531	1,160,759,097
Loans and advances to customers	**3, 5, 22**	**543,587,228**	**351,187,468**
Debt and other fixed-income securities	**3, 6**	**330,000**	**410,000**
Tangible assets	**7**	**1,061,931**	**1,081,359**
Other assets	**8**	**127,836**	**58,568**
Prepayments and accrued income		**4,826,722**	**4,120,842**
Total assets	**10**	**1,985,737,549**	**1,739,315,313**

Liabilities

	Note(s)	2014	2013
Amounts owed to credit institutions	**3, 13**	**789,359,715**	**633,383,627**
a) repayable on demand		28,174,150	5,240,571
b) with agreed maturity dates or periods of notice		761,185,565	628,143,056
Amounts owed to customers	**3, 13**	**1,139,876,516**	**1,054,400,477**
a) repayable on demand		205,183,841	123,445,656
b) with agreed maturity dates or periods of notice		934,692,675	930,954,821
Other liabilities	**8**	**368,716**	**450,876**
a) preferential creditors		368,716	450,876
Accruals and deferred income		**2,541,787**	**2,788,509**
Provisions		**4,190,258**	**4,876,701**
a) provisions for taxation		320,152	1,878,921
b) other provisions	**24**	3,870,106	2,997,780
Subscribed capital	**11**	**30,000,000**	**30,000,000**
Reserves	**12, 25**	**6,490,000**	**5,135,255**
Profit brought forward	**12**	**6,925,123**	**3,774,599**
Profit for the financial year		**5,985,434**	**4,505,269**
Total liabilities	**14**	**1,985,737,549**	**1,739,315,313**

DNB Luxembourg S.A.

Off-balance sheet
As of 31 December 2014
(expressed in euros)

	Note(s)	2014	2013
Contingent liabilities	**3, 15**	**25,115,723**	**2,198,250**
<u>of which:</u>			
- guarantees and assets pledged as collateral security		25,115,723	2,198,250
Commitments	**3, 16**	**49,022,560**	**50,168,050**

DNB Luxembourg S.A.

Profit and Loss accounts
As of 31 December 2014
(expressed in euros)

	Note(s)	2014	2013
Interest received and similar income		**27,893,209**	**26,045,755**
Interest paid and similar charges		**(17,131,667)**	**(17,619,057)**
Commission received		**4,855,887**	**4,105,921**
Commission paid		**(213,435)**	**(226,752)**
Net profit or loss on financial operations	**6**	**(76,307)**	**(247,122)**
Other operating income	**20**	**222,840**	**275,637**
General administrative expenses		**(8,234,031)**	**(6,782,705)**
a) staff costs	**22, 23**	(4,694,210)	(4,154,802)
of which:			
- wages and salaries		(4,107,371)	(3,600,518)
- social security costs		(353,432)	(301,450)
of which:			
- social security costs relating to pensions		(240,657)	(232,117)
b) other administrative expenses	**26**	(3,539,821)	(2,627,903)
Value adjustment in respect of tangible assets		**(347,919)**	**(320,576)**
Other operating charges	**21**	**(8,751)**	**(5,832)**
Profit before tax		**6,959,826**	**5,225,269**
Tax on profit on ordinary activities		**(974,392)**	**(720,000)**
Profit for the financial year		**5,985,434**	**4,505,269**

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 2014, 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.

The main foreign currency transaction rate used as at 31 December 2014 and 31 December 2013 are as follow:

31.12.2014	31.12.2013
NOK/EUR : 0.11069	NOK/EUR : 0.11930
USD/EUR : 0.82273	USD/EUR : 0.72585
GBP/EUR : 1.28015	GBP/EUR : 1.19976

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 realized and unrealized 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. Unrealized revaluation profits are ignored, whereas a provision is set up in respect of any unrealized 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 year end, where necessary, a provision is set up in respect of individual unrealized 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

As per the Article 56 of the Law of April 1993, as amended, on the accounts of banks, the Bank will 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.

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 crystallize 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 2014 and 2013, the lump sum provision amounts to EUR 1,600,312 and is fully deducted from the loans and advances to customers’ caption.

Note 2 – Summary of significant accounting policies (continued)

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.

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.

Debt securities held as of 31 December 2014 are part of the structural portfolio.

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.

Note 2 – Summary of significant accounting policies (continued)

2.11. Taxes

The Bank is liable to taxes on income and net assets. Tax liabilities are recorded under "Provisions for taxation" in the balance sheet.

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:

2014 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	17,357	---	---	---	**17,357**
Loans and advances to credit institutions	731,556	686,891	---	---	**1,418,447**
Loans and advances to customers	78,681	7,845	9,518	447,543	**543,587**
Debt and other fixed-income securities	---	---	---	330	**330**
	827,594	**694,736**	**9,518**	**447,873**	**1,979,721**
Amounts owed to credit institutions	528,224	261,136	---	---	**789,360**
Amounts owed to customers	706,645	433,232	---	---	**1,139,877**
Contingent liabilities	296	22,793	2,027	---	**25,116**
Commitments	1,641	17,367	17,191	12,824	**49,023**
	1,236,806	**734,528**	**19,218**	**12,824**	**2,003,375**

2013 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	13,506	---	---	---	**13,506**
Loans and advances to credit institutions	1,112,766	256,185	---	---	**1,368,951**
Loans and advances to customers	54,624	9,480	6,257	280,826	**351,187**
Debt and other fixed-income securities	---	---	---	410	**410**
	1,180,896	**265,665**	**6,257**	**281,236**	**1,734,054**
Amounts owed to credit institutions	402,112	231,272	---	---	**633,384**
Amounts owed to customers	921,680	132,720	---	---	**1,054,400**
Contingent liabilities	116	394	1,688	---	**2,198**
Commitments	2,208	15,707	11,796	20,457	**50,168**
	1,326,116	**380,093**	**13,484**	**20,457**	**1,740,150**

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:

	2014 EUR 000	2013 EUR 000
European Union	1,533	2,302
Other OECD countries	1,416,914	1,366,649
	1,418,447	**1,368,951**

Note 5 – Loans and advances to customers

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

	2014 EUR 000	2013 EUR 000
European Union	178,735	84,833
Other OECD countries	314,484	225,860
Other countries	50,368	40,494
	543,587	**351,187**

Note 6 – Debt and other fixed-income securities

The policy of the Bank is not to invest in securities portfolios. However over 2013 the Bank became the owner of a bond issued by a European financial institution following the non-execution of a sell-order placed by one client on such security.

As at 31 December 2014, the said bond has been valued at the lower of cost or market, which led to an additional impairment of EUR 80,000 (2013: EUR 250.000) recorded in the “Net profit or loss on financial operations” caption.

Note 7 – 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	**2,682,393**	**345,867**	**(35,000)**	**2,993,260**	**1,931,329**	**1,061,931**
of which: Other fixtures and fittings, tools and equipment	2,682,393	345,867	(35,000)	2,993,260	1,931,329	1,061,931

Note 8 – Other assets, other liabilities

Other assets primarily represent short term receivables.

Other liabilities primarily represent short term payables.

Note 9 – Related parties balances – assets

As at 31 December 2014, loans and advances to credit institutions amounting to EUR 1,418,446,762 (2013: EUR 1,368,950,581) include the following balances with related parties:

	Affiliated undertakings 2014 EUR	Affiliated undertakings 2013 EUR
Loans and advances to credit institutions	1,412,852,733	1,362,546,727

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

Note 9 – Related parties balances – assets (continued)

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 10 – Foreign currency assets

As at 31 December 2014, the aggregate amount of the Bank's assets denominated in currencies other than EUR net of related value adjustments and converted to EUR is EUR 1,355,757,289 (2013: EUR 1,323,894,334).

Note 11 – Subscribed capital

As at 31 December 2014 and 31 December 2013, the Bank’s authorized and fully paid-up capital amounted to EUR 30,000,000 represented by 75,000 shares with a nominal value of EUR 400 each.

Note 12 – Movements in reserves and profit brought forward

	Legal reserve EUR	**Special reserve (Note 25) EUR**	**Profit brought forward EUR**
Balance at 31 December 2013	**1,735,255**	**3,400,000**	**3,774,599**
Profit for the year ended 31 December 2013	---	---	4,505,269
Net transfers from/to the special reserve	---	90,000	(90,000)
Transfers to the legal reserve	1,264,745	---	(1,264,745)
Balance at 31 December 2014	**3,000,000**	**3,490,000**	**6,925,123**

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 13 – Related parties balances – liabilities

As at 31 December 2014, amounts owed to credit institutions and customers amounting respectively to EUR 789,359,715 (2013: EUR 633,383,627) and EUR 1,139,876,516 (2013: EUR 1,054,400,477) include the following balances with related parties.

	Affiliated undertakings 2014 EUR	**Affiliated undertakings 2013 EUR**
Amounts owed to credit institutions	761,238,764	633,347,470
Amounts owed to customers	14,152,745	12,540,173
	775,391,509	**645,887,643**

Note 14 – Foreign currency liabilities

As at 31 December 2014, the aggregate amount of the Bank's liabilities denominated in currencies other than Euro, converted to EUR, is EUR 1,356,108,988 (2013: EUR 1,324,019,142).

Note 15 – Contingent liabilities

The geographical distribution of contingent liabilities is as follows:

	2014 EUR 000	**2013 EUR 000**
European Union	21,978	949
Other OECD countries	2,482	759
Other countries	656	490
	25,116	**2,198**

The customer nature of contingent liabilities is as follows:

	2014 EUR 000	**2013 EUR 000**
Corporate Bodies	22,773	385
Natural Persons	2,343	1,813
	25,116	**2,198**

Note 15 – Contingent liabilities (continued)

As at 31 December 2014, the Bank's contingent liabilities of EUR 25,115,723 (2013: EUR 2,198,250) represent principally guarantees issued by the Bank in favor of clients. They are all fully secured by pledges of cash and/or securities portfolios deposited with the Bank.

As at 31 December 2014 and 2013, there were no contingent liabilities with affiliated entities.

Note 16 – Commitments

The geographical distribution of commitments is as follows:

	2014 EUR 000	**2013 EUR 000**
European Union	14,401	15,742
Other OECD countries	12,854	8,989
Other countries	21,768	25,437
	49,023	**50,168**

The customer nature of commitments is as follows:

	2014 EUR 000	**2013 EUR 000**
Corporate bodies	9,855	15,295
Natural Persons	39,168	34,873
	49,023	**50,168**

As at 31 December 2014, the Bank's commitments of EUR 49,022,560 (2013: EUR 50,168,049) represent exclusively unused confirmed credit lines.

As at 31 December 2014 and 2013, there were no commitments with affiliated entities.

Note 17 – Operations linked to currency exchange rates, interest rates and other market rates – analysis of financial derivatives

Forward operations linked to currency exchange rates, interest rate swaps (IRS) and cross currency interest rate swaps (CCIRS) were outstanding as at 31 December 2014. These were all made on behalf of customers, and were all covered with the Bank's parent company. Moreover, the Bank contracted IRS transactions 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:

2014 (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 (*)	357,496	557,314	---	914,810
Spot transactions (*)	8,735	---	---	8,735
Total	**366,231**	**557,314**	**---**	**923,545**

Operations linked to interest rates	**Less than 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Over-the-counter (OTC) contracts				
Interest rate swap (**)	2,752	38,422	98,825	139,999
Cross currency interest rate swap (**)	4,125	44,376	831	49,332
Total	**6,877**	**82,798**	**99,656**	**189,331**

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

Note 17 – Operations linked to currency exchange rates, interest rates and other market rates – analysis of financial derivatives (continued)

2013 (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 (*)	407,334	26,489	---	433,823
Foreign exchange options	3,629	---	---	3,629
Spot transactions (*)	4,379	---	---	4,379
Total	415,342	26,489	---	441,831

Operations linked to interest rates	**Less than 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Over-the-counter (OTC) contracts				
Interest rate swap (**)	1,205	41,565	23,259	66,029
Cross currency interest rate swap (**)	---	75,338	6,527	81,865
Total	1,205	108,685	37,912	147,802

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

Note 17 – Operations linked to currency exchange rates, interest rates and other market rates – analysis of financial derivatives (continued)

As at 31 December 2014 and 2013, the market value of financial derivatives is as follows:

	2014 EUR	2013 EUR
Operations linked to currency exchange rates		
Over-the-counter (OTC) contracts		
Forward exchange transactions		
Positive results	27,547,888	9,538,580
Negative results	(27,188,360)	(9,398,586)
Total	**359,528**	**139,994**
Foreign exchange options		
Positive results	---	4,185
Negative results	---	(4,185)
Total	**---**	**---**
Operations linked to interest rates		
Over-the-counter (OTC) contracts		
Interest rate swaps		
Positive results	9,032,538	871,817
Negative results	(10,004,227)	(962,253)
Total	**(971,689)**	**(90,436)**
Cross currency interest rate swaps		
Positive results	7,730,148	4,381,316
Negative results	(7,730,148)	(4,381,316)
Total	**---**	**---**

Note 18 – 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".

2014 (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	12,694,472	458,362,274	17,278,095
Private customers	14,853,416	456,447,954	19,417,896
Total	**27,547,888**	**914,810,228**	**36,695,990**
Operations linked in interest rates			
Over-the-counter (OTC) contracts			
Interest rate swap			
Private customers	9,032,538	139,999,611	11,132,532
Total	**9,032,538**	**139,999,611**	**11,132,532**
Cross currency Interest rate swap			
Private customers	7,730,148	49,332,730	8,470,139
Total	**7,730,148**	**49,332,730**	**8,470,139**

Note 18 – Credit risk information – financial derivatives (continued)

2013 (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	3,502,335	218,121,709	5,683,552
Private customers	6,036,244	215,701,162	8,193,256
Total	**9,538,579**	**433,822,871**	**13,876,808**
Foreign exchange options			
Banking counterparties	---	1,814,850	18,149
Private customers	4,185	1,814,850	22,334
Total	**4,185**	**3,629,700**	**40,483**
Operations linked in interest rates			
Over-the-counter (OTC) contracts			
Interest rate swap			
Banking counterparties	291,214	38,854,819	874,036
Private customers	580,603	27,173,910	988,212
Total	**871,817**	**66,028,729**	**1,862,248**
Cross currency Interest rate swap			
Banking counterparties	577,419	40,932,106	1,191,401
Private customers	3,803,897	40,932,106	4,417,879
Total	**4,381,316**	**81,864,212**	**5,609,280**

Note 19 – 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 20 – Other operating income

Other operating income for the year ended 31 December 2014 consists of:

	2014 EUR	2013 EUR
- income from sub-rental of premises	217,230	260,315
- refunds from AGDL (refer to note 24)	5,610	2,789
- tax and VAT refunds	---	9,377
- others	---	3,156
	222,840	**275,637**

Note 21 – Other operating charges

Main item under “Other operating charges” for the year ended 31 December 2014 is the allowance made to AGDL provision for EUR 5,610 (2013: EUR 2,789) (refer to Note 24).

Note 22 – Staff numbers

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

	2014 Number	2013 Number
Management	7	5
Employees	33	26
	40	**31**

Note 23 – Management remuneration

The Bank has granted the following remuneration to the members of the administrative and managerial bodies of the Bank (2014: 7 persons; 2013: 5 persons):

	2014 EUR	2013 EUR
Managerial body	**1,453,796**	**1,018,140**

As of 31 December 2014, the Bank has entered into loans amounting to EUR 322,500 (2013: EUR 411,250) to current and former members of the administrative and managerial bodies

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 (2013: EUR nil).

Note 24 – 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 2014 and 2013, the Bank set up a provision in recognition of its potential liabilities under the Guarantees.

Over 2014, partial refunds totaling EUR 5,610 (2013: EUR 2,789) 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 5,610 (2013: EUR 2,789) were also booked as other operating charges. As at 31 December 2014, the AGDL provision amounts to EUR 1,235,351 (2013: EUR 1,229,740). The amount is included on the liabilities side of the balance sheet under “Provisions: other provisions”.

Note 25 – 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:	**2014 EUR**	**2013 EUR**
2008	---	660,000
2009	680,000	680,000
2010	650,000	650,000
2011	660,000	660,000
2012	750,000	750,000
2013	750,000	---
	3,490,000	**3,400,000**

When allocating the net result for the year ended 31 December 2014, an amount of EUR 980,000 will be allocated to the special reserve for net worth tax credit.

Note 26 – Remuneration of the independent auditor

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

	2014 EUR	**2013 EUR**
Statutory Audit	94,560	92,250

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Management report, and Independent auditor’s report