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# Annual Report for 2013

## Netfonds Holding ASA

Org.nr: 988 861 391

with subsidiaries:

Netfonds Bank AS

Netfonds Livsforsikring AS

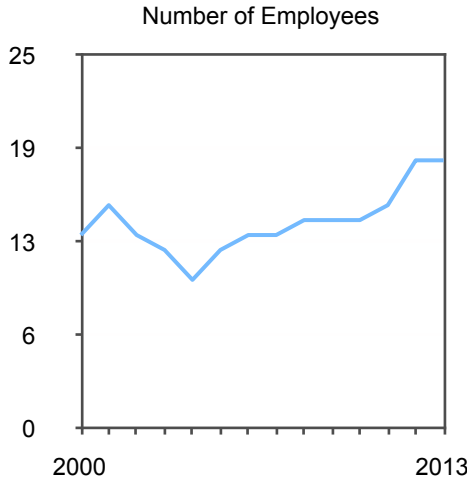
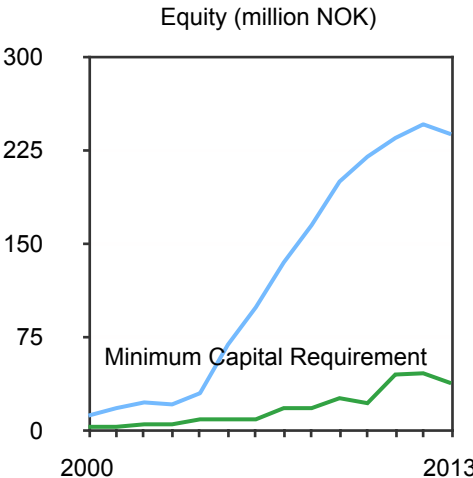
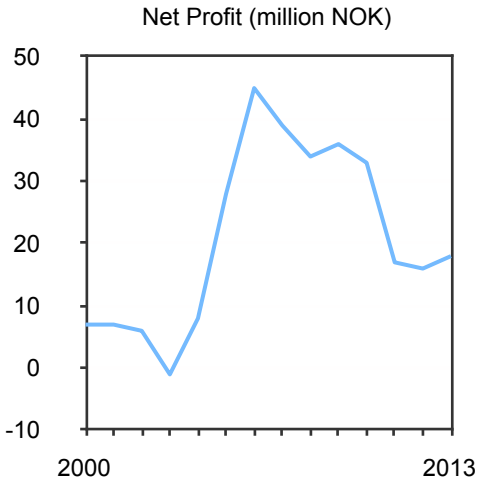
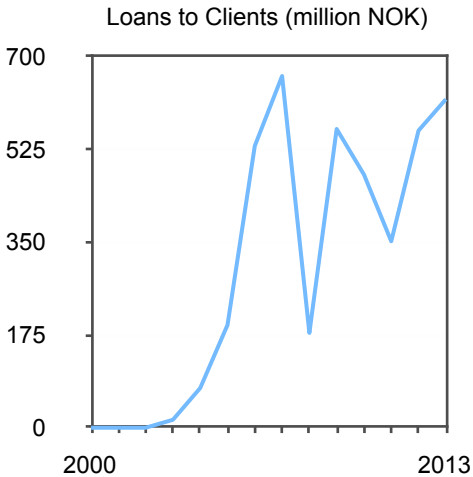
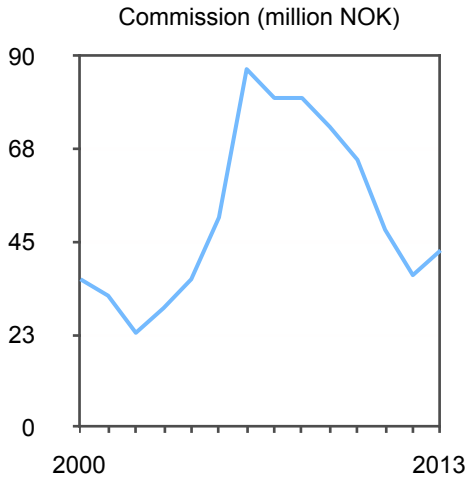
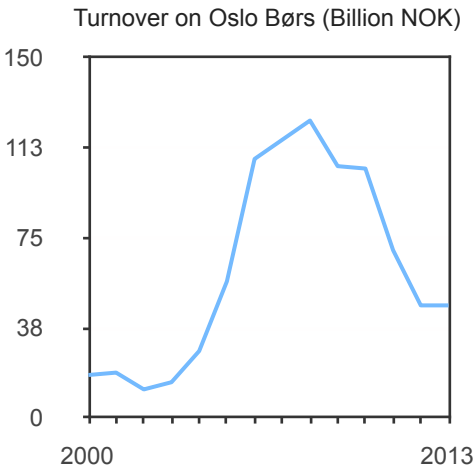
Netfonds AS

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Investment Services – Banking – Life Insurance – Asset Management

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# Overview 2000-2013



# Annual Report 2013

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## Business areas

Netfonds Holding ASA (Netfonds) is the parent company of Netfonds Bank AS, a commercial bank, Netfonds Livsforsikring AS, a life insurance company and Netfonds AS, an investment company. The group is regulated in accordance with the Norwegian Financial Institutions Act (Finansieringsvirksomhetsloven). All companies have their offices in Oslo.

Netfonds Bank AS operates a self service internet platform for trading in securities. Netfonds' trading platform is open for trading in Norwegian, Swedish, Danish, European and US securities, ETF's, derivatives, managed funds, CFD's and foreign exchange. The bank also operates as asset manager. Netfonds Bank AS is self clearing in the Norwegian market and operates as a custodian for its clients. The bank also lends securities to clients to cover their short positions.

Netfonds Bank AS is receiving deposits from clients and is lending funds to other clients who trade through Netfonds.

Netfonds Livsforsikring AS (life insurance) started operations in 2009, and offers savings accounts with 1% life insurance attached.

The Netfonds IT-department develops and operates all systems being used for trading, settlement and clearing of trades, banking and life insurance.

## Regulations

Netfonds is regulated by Financial Supervisory Authority of Norway. Netfonds has licences to operate in accordance with the securities trading law, the banking law and the insurance law of Norway. Netfonds has also licences to operate cross border to neighbour countries.

## Management

The group has a Board of Representatives of 15 members - 11 members are elected by the shareholders and 4 members are elected by the employees. The chairman is Ragnar Sjoner. In addition the group has two control committees of 4 members. The chairman of both control committees is Harald Moen.

Netfonds Holding ASA has a Board of Directors of 3 members. The chairman is Harald Hjort. Netfonds Bank AS has a Board of Directors of 5 members - one is elected among the employees. The chairman is Harald Hjort. Netfonds Livsforsikring AS has a Board of Directors of 3 members. The chairman is Ingvar Strøm.

The Board of Directors functions as the audit committee. The external auditor for all companies in the group is Frede Baumann of Grant Thornton Revisjon AS. Actuary for the life insurance operation is Svein Hestnes of Eikos AS.

Chief executive officer in all the companies is Rolf Dammann, who is also the founder and the main shareholder. The companies have their head office in Oslo. By year end there were 18 employees in the Netfonds group of companies.

## Risk - Capital Adequacy

The Netfonds group had total equity capital of 235 million NOK by the end of 2013 (see note 16). The capital adequacy requirement to cover credit risk was 0.4 million NOK and counterparty risk relating to investments of surplus funds 17.1 million NOK (see note 24). The capital adequacy requirement to cover operational risk was 9.3 million NOK (see note 23). Market risk was identified to 3 million NOK (see note 21). It is the opinion of the Board of Directors that the bank has established sufficient controls to reduce risk.

By year end 2013 a new capital buffer of 4.5% shall be established by Norwegian banks. The buffer shall be increased further in 2014, and eventually be utilized in more difficult times. By year end the contingent extra buffer totalled 15.1 million NOK.

Netfonds monitors the risk profile regularly. The following risk areas have been identified:

- Liquidity risk: Netfonds is basing its lending operation on external funding. New rules and practices regarding liquidity in stressed market conditions have been introduced.
- Credit risk: The bank runs a risk of loss on loans to clients. Netfonds can sell securities held in custody to maintain an agreed safety margin.
- Operational risk: Netfonds runs a risk of having inadequate systems. Netfonds is processing a large number of transactions which are increasingly complex. The bank may incur losses due to mistakes done by employees, fraud or external incidents like fires or catastrophies.

### **Broker dealer activity**

Netfonds' share of the total turnover on Oslo Stock Exchange was 46.6 billion NOK in 2013 (46.8 billion NOK in 2012). Our share of the total market was 2,68% (2.35% in 2012). Netfonds executed 1 090 357 transactions in 2013 (1 004 302 in 2012) resulting in commissions of 43 million NOK in 2013 (37.2 million NOK in 2012).

Netfonds Bank had clients assets under management of 215 million NOK by year end 2013. The funds were invested in the «NetfondsXtra»-portfolio. The bank earned management fees of 774 000 NOK in 2013 (nil in 2012).

### **Lending activity**

Total lending to clients on margin accounts was 619.6 million NOK by the end of 2013, an increase of 58.6 million NOK from the previous year end. A total of 391.3 million NOK were investmented in money market funds and bonds. Deposits from clients fell to 991.9 million NOK from 992.8 million NOK the previous year end. The banks share of total consolidated interest income was 34.6 million NOK in 2013, a reduction from 36.6 million NOK in 2012. The bank did not incur any loss in the lending business in 2013. The credit risk is low as the bank has the right to sell clients securities held in custody to maintain an agreed safety margin.

### **Life insurance**

Netfonds Livsforsikring AS made a profit of 2 million NOK in 2013 (2.4 million NOK in 2012). The company had equity capital of 47.3 million NOK by the end of 2013. The client portfolios increased to 332.4 million NOK from 130.3 million NOK the year before. Net income from the insurance activities was 85 thousand NOK (loss of 45 thousand NOK in 2012). The risk result was 39 thousand NOK in 2013 and the administrative result 46 thousand NOK. In January 2013 the company acquired a portfolio of 400 clients with total savings of 100 million NOK.

Netfonds is mainly offering Equity Trading Life Policies to self directed clients. The Equity Trading Life Policy is most suitable for active traders. Netfonds charges 0.1% of the value of the policies in administration fees.

### **Investment activity**

Netfonds AS made a profit of 0,1 million NOK in 2013, unchanged from 2012.

### **Consolidated result**

Consolidated net income totalled 17.9 million NOK in 2013 (16.2 million NOK in 2012) Total consolidated equity by year end 2013 was 238.1 million NOK.

### **Parent company Netfonds Holding ASA**

Netfonds Holding ASA made a profit of 1.3 million NOK in 2013 (25.9 million NOK in 2012). It is proposed to pay dividends of 6 million NOK for 2013, 1.3 million NOK from net profit and the remaining 4.7 million NOK from retained earnings. Total equity in Netfonds Holding ASA was 136.4 million NOK at year end 2013 (161 million NOK in 2012).

### **Going concern**

In accordance with the accounting regulations in Norway, the Board of Directors confirms that the financial statements are prepared under the assumption that the business is a going concern.

## Internal and external environment

The working environment is good. The sick leave percentage was 0.5% (0,3% in 2012). There were no accidents with personell involved in 2013. Netfonds is not polluting the external environment and is working to reduce the consumption of energy.

## Social responsibility

Netfonds takes into account human rights, employee rights, social rights, environmental issues and the fight againts corruption in the business strategies, the day to day business and in the relationship with all stakeholders.

## Gender equality

Netfonds has a high degree of gender equality. One memeber of the Board of Directors is a woman.

## Discrimination

Netfonds makes sure that the law against discrimination is followed in all areas - recruiting, salaries, promotions etc. The work tasks and the premises are designed in a way that makes it possible for personnel with handicaps to work in Netfonds.

## Outlook

Netfonds will continue to develop self service systems for savings and investments for retail clients. Netfonds Livsforsikring will operate crossborder to Sweden.

Netfonds has applied for various additional licences to broaden it's services within banking and life insurance, but due to the private ownership of the company, Norwegian authorities will not accept such expansion of the activities.

Netfonds Holding ASA will be demerged in 2014. The demerged company will have equity capital of 50 million NOK, consisting of 50 million NOK in liquid assets.

Oslo, 3/3 2014

The Board of Directors and CEO of Netfonds Holding ASA

Harald Hjort  
Chairman

Axel Dammann  
Board member

Elisabeth Magnus  
Board member

Rolf Dammann  
CEO

# Consolidated Income Statement

P&L (1000 NOK)	Note	2013	2012	2011
Interest income		55 170	54 867	47 292
Interest expense		-16 808	-13 834	-13 393
<b>Net interest income</b>	<b>1</b>	<b>38 362</b>	<b>41 033</b>	<b>33 899</b>
Commissions	2	42 960	37 214	47 998
Fees paid to exchanges and custodians		-23 891	-23 478	-23 668
Technical result life insurance	3	85	-45	44
Other revenues		130	23	-33
<b>Net gain/loss from investments in securities</b>	<b>13</b>	<b>1 519</b>	<b>759</b>	<b>-2 252</b>
<b>Net other revenues</b>		<b>20 803</b>	<b>14 473</b>	<b>22 089</b>
Overhead expenses	4,6,7	-24 812	-23 156	-19 906
Depreciation	9	-1 297	-1 570	-1 943
Other operating expenses		-8 705	-8 800	-7 618
<b>Total operating expenses</b>		<b>-34 814</b>	<b>-33 526</b>	<b>-29 467</b>
Income before loss on receivables		24 351	21 980	26 521
Loss on receivables, loans and guarantees	12	9	-144	0
Income before tax		24 360	21 836	26 521
Tax	8	-6 495	-5 678	-9 799
<b>Net Income</b>		<b>17 865</b>	<b>16 158</b>	<b>16 722</b>
Net Income per Share (NOK)		1 787	1 616	1 672

# Consolidated Balance Sheet

Balance Sheet (1000 NOK)	Note	2013	2012	2011
<b>Assets</b>				
Deposits in Central Bank		83 885	21 155	8 670
Receivables in financial institutions		118 982	167 268	209 295
Investments in bonds and certificates	13	242 555	0	0
Investments in money market funds	13	148 731	455 909	450 182
Investments in managed equity funds	13	3 470	2 619	11 975
Investments in securities	13	3 617	2 833	0
Receivables from clients	12	619 575	561 051	351 985
Securities lent to clients		0	9 290	2 026
Settlement balances with clients		7 993	15 014	1 427
Settlement balances with broker dealers		14 735	21 762	16 835
Clients life insurance portfolio	14	332 408	130 279	115 727
Other assets		260	230	1 478
Intangible assets	10	0	0	0
Deferred tax assets	8	1 960	2 160	1 639
Fixed assets	9	1 872	2 209	3 164
Real estate	9	3 234	3 328	3 441
Prepayments		1 688	1 730	1 120
Overfunded pension scheme	7	1 381	1 729	1 543
<b>Total Assets</b>		<b>1 586 346</b>	<b>1 398 566</b>	<b>1 180 507</b>
<b>Liabilities and Equity</b>				
Bank debt		0	0	0
Deposits from clients		991 919	992 736	803 266
Settlement balances with clients		6 182	2 784	2 656
Borrowed securities		0	9 290	2 026
Liability life insurance equity trading policies	14	332 408	130 279	115 727
Other short term debt		3 593	5 187	3 727
Tax payables	8	6 286	4 648	11 094
Deferred tax liabilities	8	0	0	0
Accrued expenses		1 855	1 407	1 273
Dividend payable		6 000	6 000	6 000
Life insurance risk provision		5	2	1
<b>Total liabilities</b>		<b>1 348 248</b>	<b>1 152 333</b>	<b>945 770</b>
Share capital	15	10 000	10 000	10 000
Share premium reserve		19 959	39 959	39 959
Retained earnings		208 139	196 274	184 778
<b>Total equity</b>	16	<b>238 098</b>	<b>246 233</b>	<b>234 737</b>
<b>Total Liabilities and Equity</b>		<b>1 586 346</b>	<b>1 398 566</b>	<b>1 180 507</b>

Oslo, 3/3 2013

The Board of Directors and CEO of Netfonds Holding ASA

Harald Hjort  
Chairman

Axel Dammann  
Board Member

Elisabeth Magnus  
Board Member

Rolf Dammann  
CEO

# Consolidated Statement of Cash Flows

Cash Flows (1000 NOK)	Note	2013	2012	2011
<b>Operating Activities</b>				
Net income before tax		24 360	21 836	26 521
Depreciation		1 297	1 570	1 943
Tax paid		-4 658	-11 094	-13 637
Surplus liquidity placed in money market funds		62 988	796	-314 724
Loans to clients		-58 524	-209 066	279 301
Change in working capital		16 664	-16 553	-18 950
Net cash flow from operating activities	A	42 127	-212 511	-39 546
<b>Investing Activities</b>				
Investments in equipment		-866	-501	-825
Net cash flows from investing activities	B	-866	-501	-825
<b>Financing Activities</b>				
Deposits from clients		-817	189 470	-42 540
Dividend		-6 000	-6 000	-5 000
Repaid from surplus fund		-20 000	0	0
Net cash flows from financing activities	C	-26 817	183 470	-47 540
Change in deposits in the Central Bank (A+B+C)		14 444	-29 542	-87 911
Deposits in the Central Bank 01/01		188 423	217 965	305 876
Deposits in the Central Bank 31/12		202 867	188 423	217 965



# Netfonds Holding ASA (parent company)

Income Statement (in 1000 NOK)	Note	2013	2012	2011
Interest income		334	300	84
Return on moneymarket funds		1 744	1 174	0
Interest expense		-2		-108
Net interest income		2 076	1 474	-24
Contribution from subsidiary		0	0	74
Dividends received		0	25 000	25 000
Net other revenues		0	25 000	25 074
Other operating expenses	5	-250	-174	-158
Market price valuation of investments		0	0	0
Total operating expenses		-250	-174	-158
Net income before tax		1 826	26 300	24 892
Tax	8	-512	-364	1
Net Income after tax		1 314	25 936	24 893
Allocations:				
Dividends		6 000	6 000	6 000
Retained earnings		-4 686	19 936	18 893
Total allocations		1 314	25 936	24 893
Net Income per Share (NOK)		131	2 594	2 489

# Netfonds Holding ASA (parent company)

Balance Sheet (in 1000 NOK)	Note	2013	2012	2011
<b>Assets</b>				
Bank deposits		3 966	5 192	26 019
Money market funds and time deposits	13	42 917	41 174	0
Prepayments		0	0	29
Dividends		0	25 000	25 000
Receivables Netfonds Bank AS		0	35	74
Receivables Netfonds Livsforsikring AS		0	20	0
Shares in Netfonds Bank AS	11	51 976	51 976	51 976
Shares in Netfonds AS	11	826	826	826
Shares in Netfonds Livsforsikring AS	11	43 183	43 183	43 183
<b>Total assets</b>		<b>142 868</b>	<b>167 406</b>	<b>147 107</b>
<b>Liabilities and equity</b>				
Dividend payable	16	6 000	6 000	6 000
Tax payable	8	512	364	0
<b>Total liabilities</b>		<b>6 512</b>	<b>6 364</b>	<b>6 000</b>
Share capital	15	10 000	10 000	10 000
Share premium reserve		19 959	39 959	39 959
<b>Total paid in equity</b>		<b>29 959</b>	<b>49 959</b>	<b>49 959</b>
Retained earnings		106 397	111 083	91 148
<b>Total equity</b>	16	<b>136 356</b>	<b>161 042</b>	<b>141 107</b>
<b>Total liabilities and equity</b>		<b>142 868</b>	<b>167 406</b>	<b>147 107</b>

Oslo, 3/3 2014

The Board of Directors and CEO of Netfonds Holding ASA

Harald Hjort  
Chairman

Axel Dammann

Elisabeth Magnus

Rolf Dammann  
CEO

# Netfonds Holding ASA (parent company)

Statement of Cash Flows (in 1000 NOK)	Note	2013	2012	2011
<b>Operating Activities</b>				
Net income before tax		1 826	26 300	24 818
Tax paid		-364	0	-12 446
Contribution from subsidiary		0	0	0
Dividend received		0	-25 000	-25 000
Surplus liquidity placed in money market funds		-1 744	-41 174	25 382
Change in working capital and accruals		55	-27	-29 859
<b>Net cash flows from operations</b>	<b>A</b>	<b>-227</b>	<b>-39 901</b>	<b>-17 105</b>
<b>Investing Activities</b>				
Received contribution from subsidiary		0	74	47 487
Dividend received		25 000	25 000	0
<b>Net cash flows from investing activities</b>	<b>B</b>	<b>25 000</b>	<b>25 074</b>	<b>47 487</b>
<b>Financing Activities</b>				
Repaid capital		-20 000	0	0
Dividend paid		-6 000	-6 000	-5 000
<b>Net cash flows from financing activities</b>		<b>-26 000</b>	<b>-6 000</b>	<b>-5 000</b>
Change in deposits in the Central Bank (A+B+C)		-1 227	-20 827	25 382
Deposits in the Central Bank 01/01		5 193	26 019	637
Deposits in the Central Bank 31/12		3 966	5 192	26 019

# Accounting Policies

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## Laws and regulations

The financial statements have been prepared in accordance with Norwegian accounting laws and regulations for financial institutions.

## Consolidation

The consolidated accounts include subsidiaries where the direct and indirect ownership exceeds 50%, or if Netfonds has day to day control of the operations.

The consolidated statements are prepared according to the «Purchase method». The same principles are applied to all subsidiaries, if not specifically noted and explained.

When a subsidiary is acquired or sold during the year, only the part of net income that relates to Netfonds' ownership will be included in the financial statements.

Internal transactions, receivables and payables are eliminated in the consolidated statements. Identifiable assets and liabilities are valued as at the time of the purchase. Additional purchase money is booked as goodwill, and depreciated over expected economic lifetime. Minority interests are included after tax. The minority interests are included under each item in the consolidated statements.

In the financial statements of the parent company the subsidiaries are included according to the «Equity method», and the holdings are booked as the share of the book equity adjusted for any internal profits.

See note 11 for an overview of the subsidiaries included in the consolidated accounts and the corresponding specification of the parent company holdings according to the «Equity method».

## Revenues and expenses

Revenues (interests and commissions) are included when earned. Costs are expensed after netting and careful valuation. Fees in connection with the establishment of loan facilities will be booked as revenue on the drawdown of the loan as long as the fees do not exceed the corresponding costs by a significant amount.

## Financial assets and loans

Financial assets are valued at market values. Margin loans are valued at par value minus loss provisions. Provisions for loan losses are made when the likely future value of payments is lower than the book value. Loan losses are specified in note 12.

## Loan losses

The value of the loan portfolio is adjusted according to the rules given by the Banking Commission of Norway. Valuation takes place every quarter. Losses are booked as definite when the borrower has defaulted in more than 90 days, when bankruptcy proceedings have started, when collection proceedings have started, or when the loan is in default for other serious reasons.

## Fixed assets

Fixed assets are depreciated according to plan over the expected life of the asset. Maintenance costs are expensed in the current year. If the real value of an asset is lower than the book value, the excess amount will be written off. Costs which have not been directly expensed, will be written off over 5 years.

## Tax

The tax expenses includes both tax payable and the change in the deferred tax position. Deferred tax is calculated as 28% of the preliminary differences which exist between accounting- and tax valuation of assets, in addition to losses to be carried forward. Deferred tax is booked in the balance sheet only to the extent that it might have an actual value.

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## **Pension**

The pension liability increases linearly based on the expected salary level at the time of retirement. Several assumptions are included in the calculation, ie. the discount rate, expected increase in salary level, expected amount to be received from the norwegian social security system (NAV), expected return on pension funds and actuary assumptions regarding death intensities and normal withdrawals from the pension plan.

The pension fund is valued at the market price of assets in the portfolio minus the pension liabilities. Changes in the pension liability are deducted after being allocated over the remaining years before retirement age.

## **Foreign currencies**

Receivables and liabilities in foreign currencies are booked at mid price at year end.

## **Life insurance**

The financial statements are prepared in accordance with norwegian law: Lov om årsregnskap og Forskrift for årsregnskap m.m. for forsikringselskaper. In the consolidated statements NGAAP has been applied.

Netfonds Livsforsikring AS offers saving accounts in the form of equity portfolios with free investment choice. Assets under management is divided in a company portfolio and a clients portfolio. The clients are responsible themselves for the choice of investments in the clients portfolios, hence Netfonds has no investment risk.

Premiums received from clients are booked as revenues for Netfonds Livsforsikring AS. The premiums are separated in the clients portfolios. Risk premiums and administration fees are deducted from the client portfolios. Netfonds' insurance liability is equal to the total savings on all client portfolios.

Netfonds Livsforsikring has not reinsured its liabilities. The only insurance risk is the liability to pay 101% of the value in the client portfolio in case the client dies. The insurance fund consists of provisions to cover unsettled insurance amounts (IBNR og RBNS). The client can withdraw funds whenever they want and reduce their savings and the insurance liability of Netfonds.

The insurance risk in connection with death of clients is calculated according to general assumptions regarding gender and age, and also taking into account industry statistics.

## **Cash flow statement**

The «Indirect method» is used. Cashflow from operating activities includes net interest income and commissions from the broker dealer activity. Investing activities includes investments in fixed assets and property. Financing activities includes deposits from clients and financing through loans and new equity.

# Notes

<b>Note 1. Net interest income (in 1000 NOK)</b>	2013	2012	2011
Average lending rate	6,17 %	6,09 %	6,12 %
Average borrowing rate	1,61 %	1,50 %	1,28 %
Interest income from the Central Bank	305	305	563
Interest income from financial institution	2 550	2 788	4 138
Interest income on money market funds	19 191	23 722	8 110
Interest income from clients	34 643	28 811	34 481
<b>Total interest income</b>	<b>56 689</b>	<b>55 626</b>	<b>47 292</b>
Interest paid to depositors	15 955	13 445	13 270
Other interest expenses	853	389	123
<b>Total interest costs</b>	<b>16 808</b>	<b>13 834</b>	<b>13 393</b>
<b>Net Interest Income</b>	<b>39 881</b>	<b>41 792</b>	<b>33 899</b>
Specification of deposits and interest rates 2013	Deposits	Interests	Interest rate
NOK	746 189	10 001	1,25%
SEK	231 813	5 903	2,39%
Other currencies	13 917	51	0,37%
<b>Total</b>	<b>991 919</b>	<b>15 955</b>	<b>1,61%</b>

## Note 2. Revenues from brokerage and asset management

The revenues consist of trading fees from clients using Netfonds' trading platform. The bank also earned asset management fees of 774 000 NOK in 2013 (nil in 2012). The Netfonds group of companies have 13 000 norwegian and 17 000 swedish clients.

<b>Note 3. Result life insurance NGAAP (1000 NOK)</b>	2013	2012	2011
Risk premiums	42	25	14
Payments	0	0	0
Provisions	-3	-2	-1
Administration fees	250	132	369
Actuary	-100	-101	-308
Insurance related sales cost	-104	-99	-31
<b>Technical Result Life Insurance</b>	<b>85</b>	<b>-45</b>	<b>43</b>
Administrative result	46	-68	29
Risk result	39	23	14

<b>Note 4. Personnel cost (in 1000 NOK)</b>	2013	2012	2011
<b>Number of employee years</b>	<b>18,5</b>	<b>18,5</b>	<b>16,5</b>
Salaries	14 589	14 054	12 034
Pension plan	1 352	1 102	1 041
Social security costs	3 056	2 655	2 048
Other employee related costs	565	595	501
<b>Total staff cost</b>	<b>19 562</b>	<b>18 406</b>	<b>15 624</b>
Fees to the Board of Directors	1 068	1 078	970
Fees to the Board of Representatives	275	281	240
Fees to the Control Committee	418	418	380
Other overhead costs	3 489	2 973	2 692
<b>Total staff and overhead costs</b>	<b>24 812</b>	<b>23 156</b>	<b>19 906</b>

The management and employees who might take risk on behalf of Netfonds shall not receive variable compensation.

<b>Note 5. Fees paid to auditors (in 1000 NOK)</b>	2013	2012	2011
Audit fees	523	539	518
Other audit services	34	29	52
Tax advice	49	27	69
Other services	142	144	116
<b>Total</b>	<b>748</b>	<b>739</b>	<b>755</b>
Hereof Netfonds Holding ASA	105	97	92
of which non audit fees	50	38	36

#### **Note 6. Compensation to the directors and CEO**

**Board of Representatives for Netfonds Bank AS and Netfonds Holding ASA:** Representatives elected by the shareholders: Ragnar Sjoner (chairman), Lars Ingebrigtsen (vice chairman), Harald Moen, Frode Sulland, André Teigland, Anders Eckbo, Arne B. Sperre, Axel Dammann jr. and Ingvar Strøm. Suppleants were Tor Solberg, Per Sletten, Vilhelm Dybwad and Thor Henning Pedersen. Representatives elected among the employees: Caroline Knöppel, Jenny Svensson Malmgren, Espen Vestre and Johannes Grødem. The chairman received a compensation of 77.000 NOK. The other members received a compensation of 11 000 NOK.

**Control Committee of Netfonds Holding ASA, Netfonds Bank AS and Netfonds Livsforsikring AS:** Harald Moen (chairman) Frode Sulland (vice chairman), André Teigland and Thor Henning Pedersen (suppleant). The chairman and the vice chairman received 110.000 NOK in compensation, the others received 88.000 NOK.

**The Board of Directors in Netfonds Holding ASA:** Harald Hjord (chairman), Axel Dammann and Elisabeth Magnus. **The Board of Directors in Netfonds Bank ASA:** Harald Hjord (chairman), Axel Dammann and Elisabeth Magnus, Harald S. Thorstensen and Cecilie Øiesvold (elected by the employees). Peder Klingenberg is suppleant for Cecilie Øiesvold. The chairman received a compensation of 176 000 NOK, the other external members received 110 000 NOK and the employee representatives received 55 000 NOK. Axel Dammann received a compensation of 148.000 NOK.

**The Board of Directors in Netfonds Livsforsikring AS:** Ingvar Strøm (chairman), Stine Snerthingdalen, and Tor Solberg. The chairman received 159 500 NOK in compensation, the other external members received 110 000 NOK.

**Chief Executive Officer:** Rolf Dammann is the CEO in all companies in the group. He received a salary of 759 253 NOK in 2013 (759 230 NOK in 2012) in addition to free use of phone (12 291 NOK in 2013 and 12 039 NOK in 2012). He also received payments made to the company pension plan (100 189 NOK in 2013 and 98 481 NOK in 2011).

<b>Note 7. Pension plan (in 1000 NOK)</b>	2013	2012	2011
Net present value of pension fund	983	950	906
Interest on pension liability	336	263	257
Return on pension capital	-121	-240	-275
Administration fees	117	107	93
Amortization of loss estimate	197	112	90
<b>Net cost of pension plan (including employee tax)</b>	<b>1 512</b>	<b>1 192</b>	<b>1 071</b>
Estimated pension liability	-11 216	-7 494	-6 671
Pension fund at market value 31/12	7 174	6 420	5 311
Reserve, not included in the market value	5 423	2 803	2 903
<b>Net pension reserve</b>	<b>1 381</b>	<b>1 729</b>	<b>1 543</b>
Discount interest rate	4,00 %	4,20 %	3,80 %
Expected adjustment of salary level	3,50 %	3,25 %	3,25 %
Expected adjustment to pension payments	0,60 %	0,20 %	1,00 %
Expected return on pension funds	4,40 %	4,00 %	4,00 %
Expected average remaining employment time	21	21	20

Netfonds is obliged to have a pension plan for all employees, including the CEO, and has established this plan with Storebrand Livsforsikring AS. All employees will receive annual pension as from the age of 67 equal to 66% of their salary at the time of retirement.

## Note 8. Tax (in 1000 NOK)

<b>Netfonds Holding ASA (parent company)</b>	2013	2012	2011
Tax specification:			
Income before tax	1 826	26 300	24 892
Received dividends	0	-25 000	-25 000
Other permanent differences	0	0	108
Taxable result	1 826	1 300	0
28% tax	512	364	0
Tax adjustments previous year	0	0	-1
Tax in the profit and loss statement	512	364	-1
Difference between calculated and actual tax:			
28% tax of net income before tax	512	7 364	6 970
1 % deferred tax adjustment	0	0	0
Reversal of tax payable	0	0	-1
Permanent differences (28%)	0	-7 000	-6 970
Actual tax	512	364	-1
<b>Consolidated accounts:</b>			
	2013	2012	2011
Net income before tax	24 360	21 836	26 521
Permanent differences	-1 164	-1 555	8 475
Taxable result	23 196	20 281	34 996
28% tax	6 495	5 678	9 800
Tax adjustments previous year	0	0	-1
Tax in the profit and loss statement	6 495	5 678	9 799
Change in deferred tax	-200	521	1 293
Tax adjustments previous years	-9	0	1
Tax adjustments life insurance	0	-1 551	0
Tax in the balance sheet	6 286	4 648	11 094
Specification of preliminary differences:			
Receiveables	-338	-347	-357
Securities	0	-5 784	0
Loss carried forward	-5 084	0	0
Fixed assets	-3 217	-3 311	-3 352
Money market funds	0	0	-3 688
Pension funds	1 381	1 729	1 543
Net preliminary differences	-7 258	-7 713	-5 854
27% deferred tax (2013) - 28% (2012-2011)	1 960	2 160	1 639
Difference between calculated and actual tax:			
28% tax of net income before tax	6 821	6 114	7 426
1 % deferred tax adjustment	73	0	0
Reversal of tax payable	10	0	1
Permanent differences (28%)	-409	-435	2 373
Actual tax	6 495	5 679	9 800



**Note 9. Fixed assets (in 1000 NOK)**

	Equipment etc	Cabin
Cost 31/12 2010	19 404	4 160
Addition	866	0
Reduction	0	0
Cost 31/12 2011	20 270	4 160
Accumulated depreciation 31/12 2011	-18 398	-926
Book value 31/12 2011	1 872	3 234
Depreciation for the year	1 202	95

IT equipment is depreciated over three years. The employee cabin is depreciated over 25 years. Furniture is depreciated over 5-10 years.

**Note 10. Intangibles**

Software licences fully depreciated.

**Note 11. Subsidiaries**

Netfonds Holding ASA has three 100% owned subsidiaries: Netfonds Bank AS, established in Oslo in 1996, with a share capital of 41 million NOK, Netfonds Livsforsikring AS established in Oslo in 2000 with a share capital of 40 millioner NOK and Netfonds AS established in Oslo in 2000, with a share capital of 100 000 NOK.

<b>Book value of equity:</b>	Netfonds	Netf Bank	Netfonds Liv
As per 31/12 2011	2 577	133 255	45 343
Effect due to new taxation system	0	0	0
Contribution subsidiaries	0	0	0
Net income	59	14 515	1 977
Book value as per 31/12 2012	2 636	147 770	47 320

**Note 12. Lending activity (in 1000 NOK)**

	2013	2012	2011
Total margin loans before loss provisions	619 575	561 051	351 985
Specified loss provisions 01/01	0	0	0
Loss adjustments previous provisions	0	0	0
Increase in specified loss provisions	0	0	0
New specified loss provisions	0	0	0
Reversal of previously made spec. loss provisions	0	0	0
Specified loss provisions 31/12	0	0	0
Unspecified loss provisions 01/01	0	0	0
Unspecified loss provisions in the year	0	0	0
Unspecified loss provisions 31/12	0	0	0
Net loans	619 575	561 051	351 985
Change in specified loss provisions	0	0	0
Change in unspecified loss provision	0	0	0
Actual losses exceeding provisions	0	0	0
Actual losses lower than the provisions	-9	0	0
Losses on loans to clients	-9	144	0

The margin loans belong to the same risk group of retail clients. The client accounts are pledged as security.

**Note 13. Investments i securities and managed funds (1000 kr)**

	Cost	Value	Result
Money market funds - Netfonds Holding ASA	41 174	42 917	1 743
Money market funds - Netfonds Livsforsikring AS	34 376	35 973	1 597
Certificates and bonds Netfonds Bank AS	238 948	242 555	3 607
Money market funds - Netfonds Bank AS	66 723	69 841	3 118
Sum money market funds and bonds	381 221	391 286	10 065
Securities - Netfonds Livsforsikring AS	2 728	3 390	662
Securities - Netfonds Bank AS	116	102	-14
Securities - Netfonds AS	105	125	20
Managed equity funds - Netfonds Livsforsikring AS	2 619	3 470	851
Total securities and managed equity funds	5 568	7 087	1 519

**Note 14. Client portfolios in life insurance (in 1000 NOK)**

	2013	2012	2011
Client portfolios 01/01	130 279	115 727	94 977
Premiums	191 473	59 185	91 050
Withdrawal of client funds	-58 924	-47 775	-38 253
Return on client funds	65 676	1 923	-30 984
Commissions paid	-1 457	-951	-956
Dividends received	5 242	2 049	2 299
Interest on liquid funds	411	277	276
Deducted risk premium	-42	-24	-14
Deducted administration fee	-250	-132	-369
Client portfolios 31/12	332 408	130 279	115 727
Hereof:			
Securities	299 757	108 467	91 902
Liquid assets	32 651	21 812	23 825

**Note 15. Shareholders in Netfonds Holding ASA**

Shareholders in Netfonds Holding ASA are Rolf Dammann, 8000 shares (80%), Axel Dammann, 1500 shares (15%) og Lars Ingebrigtsen 500 shares (5%). The company has issued 10 000 shares at 1 000 NOK each, all with equal rights.

**Note 16. Equity (in 1000 NOK):**

	2013	2012	2011
<b>Consolidated:</b>			
Share capital	10 000	10 000	10 000
Surplus fund	39 959	39 959	39 959
Other equity	196 274	184 778	174 056
Total equity 1/1	246 233	234 737	224 015
Dividends payable	-6 000	-6 000	-6 000
Repaid capital	-20 000	0	0
Reduced tax payable Netfonds Livsforsikring AS	0	1 338	0
Net income	17 865	16 158	16 722
Total equity 31/12	238 098	246 233	234 737
<b>Hereof Base Capital</b>	234 757	242 974	233 194
<b>Netfonds Holding ASA:</b>			
Share capital	10 000	10 000	10 000
Surplus funds	39 959	39 959	39 959
Other equity	111 083	91 148	72 255
Total equity 1/1	161 042	141 107	122 214
Repaid capital	-20 000	0	0
Dividend payable	-6 000	-6 000	-6 000
Net income	1 314	25 935	24 893
Total equity 31/12	136 356	161 042	141 107

#### **Note 17. Lease**

Netfonds has a fixed lease on the office premises until 30/6 2020, with a right to cancel in 2015. Annual lease payment is 2.1 million NOK. Netfonds has a lease on office premises in Copenhagen which can be cancelled on three months notice. Annual lease payment is 0.2 million NOK.

#### **Note 18. Restricted funds**

Netfonds had 803 397 NOK in employee tax payables. In addition 37.6 million NOK was deposited as security for settlement of securities transactions.

#### **Note 19. The Norwegian Bank's Guarantee Fund - Bankenes Sikringsfond**

Netfonds Bank is a member of The Norwegian Banks Guarantee Fund. Deposits not exceeding 2 million NOK are secured through the Banks' Guarantee Fund. Deposits are defined as all credit balances due to individuals. Deposits from other financial institutions are not covered by the Guarantee Fund. The Fund charged a premium of 592 220 NOK from Netfonds for 2103.

#### **Note 20. Interest Rate Risk**

Interest rate risk due to different duration on receivables and payables is controlled and reported regularly to the Board of Directors. The bank shall have low interest risk. The risk level has been within agreed limits at all times. All assets and liabilities have a duration of less than 30 days, and a parallel shift in the interest rate curve will not have any significant effect.

#### **Note 21. Market risk**

The market risk is low. Surplus funds are mainly placed in money market funds with low duration. Netfonds has investments in stocks and managed funds of 7.1 million NOK with a market risk of 3.0 million NOK.

#### **Note 22. Liquidity risk**

Liquidity risk is defined as the loss the bank might incur in the case of lack of funding. Liquidity shortage may arise as a result of differences in the timing of inflows and outflows of funds. The bank will secure long term funding to reduce the liquidity risk if the cost of such funding is acceptable. According to the terms of the banking licence, Netfonds cannot take funds on ordinary saving accounts. Interest paid on client funds varied between 0.35 and 2.25% in 2013. All loan receivables matures in less than 30 days. and the liquidity risk is low.

<b>Note 23. Capital adequacy operational risk (1000 NOK)</b>	2013	2012	2011
Net revenues 2012	55 528		
Net revenues 2011	58 229	58 229	
Net revenues 2010	73 402	73 402	73 402
Net revenues 2009		74 970	74 970
Net revenues 2008			69 029
Average last three years	62 386	68 867	72 467
Capital Adequacy Requirement Operational Risk	9 358	10 330	10 870

**Note 24. Capital adequacy for credit risk (in 1000 NOK)**

		2013	2012	2011
Deposits in the Central Bank	0 %	0	0	0
Receivables in credit institutions	20 %	22 556	32 554	40 369
Money market funds	20-100%	179 867	281 185	281 240
Receivables form clients	100 %	619 575	570 341	351 985
Other receivables / prepayments	100 %	4 928	1 960	4 608
Fixed assets	100 %	5 106	5 537	6 606
Weighted assets		832 032	891 577	684 808
Settlement risk		0	17	0
Counterparty risk		0	0	0
Currency position risk		0	0	0
Counterparty risk currency swap	20%	838	0	0
Total weighted assets		832 870	891 594	684 808
Deduction for pledged securities		-614 105	-555 925	-346 350
Net total weighted assets		218 765	335 669	338 458
Capital requirement (8% of net total weighted assets)		17 501	26 854	27 077
Equity		238 098	246 233	234 737
Minus intangible assets		-1 960	-2 160	-1 639
Minus prepaid pension premiums		-1 381	-1 729	-1 543
Core Capital		234 757	242 344	231 555

**Note 25. Required capital buffer (in 1000 NOK)**

As per 31/12 2013 norwegian banks are required to have a reserve capital buffer of 4.5% of the weighted assets. The capital reserve shall be established during good times and be utilized in bad times, if necessary.

	2013	2012	2011
Weighted assets for credit- and market risk	218 765		
Weighted assets operational risk x 15% / 8%	116 974		
Total weighted assets	335 739		
2,5 % maintenance buffer	8 393		
2,0 % systems risk buffer	6 715		
Total capital buffer	15 108		

**Note 26. Minimum capital life insurance (in 1000 NOK)**

	2013	2012	2011
A. Solvency capital requirement on overhead:	1026	890	1054
25% of overhead costs	257	223	264
B. Solvency capital requirement on insurance risk:	42		
0.3% of insurance risk	0	0	0
Total Solvency Capital Requirement (A+B)	257	223	264
Surplus solvency capital:			
Total solvency capital	45 948	43 724	41 574
Minimum 3.5 million Euro	-29 985	25 900	25 700
Surplus	15 963	17 824	15 874

**Note 27. Minimum capital requirement in life insurance (in 1000 NOK)**

	Vekt	2013	2012	2011
Based on assets in clients portfolios:				
Deposits	4 %	1 306	872	953
Securities	20 %	59 951	21 693	18 380
Client portfolios	20-100%	33 219	40 622	37 054
Weighted balance		94 476	63 187	56 387
Capital requirement		7 558	5 055	4 511

# Audit Report

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To The Annual Shareholder's Meeting of Netfonds Holding ASA

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Netfonds Holding ASA, which comprise the financial statements of the parent company, showing a profit/loss of NOK 1,314 Thousand, and the financial statements of the group, showing a profit of NOK 17,865 Thousand. The financial statements of the parent company and the financial statements of the group comprise of the balance sheet as at December 31, 2013, and the income statement, [statement of changes in equity] and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **The Board of Directors and the Managing Directors Responsibility for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent company and Netfonds Holding ASA consolidated as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting Act and accounting standards and practices generally accepted in Norway.

### Report on Other Legal and Regulatory Requirements

#### **Opinion on the Board of Directors' report**

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

#### **Opinion on Registration and Documentation**

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 03.03.2014  
Grant Thornton Revisjon AS  
Frede Baumann  
State Authorized Public Accountant (Norway)



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