

ANNUAL REPORT 2017

Safe Deposit Holding ASA

sdbn

Safe
Deposit
Bank
of Norway



Safe Deposit Holding ASA ("SDH") is licensed by the Norwegian Ministry of Finance as a financial holding company for its subsidiary Safe Deposit Bank of Norway ("SDBN") that carries a Norwegian banking license as a niche bank with the sole purpose of placing deposits with Central banks. Both SDH and SDBN (jointly the Group) are financial enterprises regulated by Norwegian law and supervised by the Norwegian Financial Supervision Authority.

Our Clients value daily liquidity and security, it is important for them to know exactly where their cash is, which with SDBN can only be at the Central Bank. For a limited number of Clients, SDBN is a cash diversification and capital preservation tool. Our operations are purposefully streamlined and restricted to minimize financial and operational risk. We work with a number of well positioned, highly regarded firms, whose respective partners and their teams provide SDBN with highly solid support. We actively pursue our commitment to always operate at the lowest level of aggregate risk.

SDH's net result for 2017 shows a net loss of NOK 698.576, which is transferred to other equity. The 2017 net result for the group shows a loss of NOK 13.153.236. Commensurate with our conservative approach, the Deferred Tax Asset of NOK 2.221.444 (SDH) and NOK 13.062.916 (Group) as of 31 December 2017 is not recognized in the balance sheet. The 2017 operational results are reflecting the operating and salary costs incurred in the late start-up phase. Future income from operations is expected to cover the aggregated start-up costs brought forward and investments within a few years. SDH and SDBN has solid equity, which will cover several years' operational costs.

The liquidity in the Group is held as cash deposits at Norges Bank, the Norwegian Central Bank, and the remainder at an AA-rated commercial bank (also our main House bank). The Board is of the opinion that the prerequisites for the going concern assumption exist, and the Board confirms that the financial statements were prepared on the basis of the going concern assumption.

The Group continues to develop its core team for business operations ending 2017 with four employees. Being a niche bank, and very dependent on technology, our full-time employees, all of whom are currently male, are supported by outsourced expertise and active Boards which are completely diverse in terms of both gender and nationality. SDH only has one employee, the CEO, who is also the CEO of SDBN. The work environment is good. SDBN has had no work-place related accidents or injuries. Our small size means that the bank expects exceptional commitment, adaptation and breadth of execution skills from our core team, as well as very active and frequent input from individual Members of our Board.

The SDH and Group operations do not cause any external environment issues. SDH does not, on the basis of the low risk associated with it, have any routines, principles, procedures or processes regarding external CSR measures beyond those the bank already subscribes to due to the nature of its business.

Oslo,
March 20, 2018

Christian A. Horneman Wist
Chairman

Olga Godinho
Board Member

Monica Amanda Haugan
Board Member

Harry Konterud
Board Member

Daniel Vock
Board Member

Morten Meland
CEO

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Income Statement

Safe Deposit Holding ASA

NOK	Parent		Notes	Group	
	2016	2017		2017	2016
4 659	106 494			312 495	354 825
346	0			12 528	346
4 313	106 494			299 967	354 479
0	0			217 694	3 187
0	0			304 150	330 361
0	0			-86 455	-327 174
0	0			0	0
4 313	106 494			213 512	27 305
475 848	370 697		9	4 852 903	7 205 814
535 767	434 373		10	8 513 844	10 461 237
1 011 615	805 070			13 366 747	17 667 051
-1 007 302	-698 576			-13 153 236	-17 639 746
-1 007 302	-698 576			-13 153 236	-17 639 746
0	0		11	0	0
-1 007 302	-698 576			-13 153 236	-17 639 746

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Other Comprehensive Income

Safe Deposit Holding ASA

NOK	Parent			Group	
	2016	2017		2017	2016
-1 007 302		-698 576	Profit for the period	-13 153 236	-17 639 746
			Items that will not be reclassified to profit/loss		
0		0	Total	0	0
			Items that will be reclassified to profit/loss		
0		0	Total	0	0
-1 007 302		-698 576	Total comprehensive income	-13 153 236	-17 639 746



Statement of Changes in Equity

Safe Deposit Holding ASA

NOK Parent	Issued equity			Other equity	Total equity
	Share capital	Share premium	Other paid in capital		
Equity as at 1 January 2016	16 933 400	87 077 753		-1 202 274	102 808 880
Profit for the period				-1 007 302	-1 007 302
Total comprehensive income	0	0	0	-1 007 302	-1 007 302
Issue of share capital and premium	0	0			0
Equity as at 31 December 2016	16 933 400	87 077 753	0	-2 209 576	101 801 577
Equity as at 1 January 2017	16 933 400	87 077 753		-2 209 576	101 801 577
Profit for the period				-698 576	-698 576
Total comprehensive income	0	0	0	-698 576	-698 576
Issue of share capital and premium	0	0			0
Equity as at 31 December 2017	16 933 400	87 077 753	0	-2 908 152	101 103 001

Statement of Changes in Equity

Safe Deposit Holding ASA

NOK Group	Issued equity			Other equity	Total equity
	Share capital	Share premium	Other paid in capital		
Equity as at 1 January 2016	16 933 400	87 077 753	-9 666	-15 492 172	88 509 316
Profit for the period				-17 639 747	-17 639 747
Total comprehensive income	0	0	0	-17 639 747	-17 639 747
Transfer	0	-9 666	9 666		0
Equity as at 31 December 2016	16 933 400	87 068 087	0	-33 131 919	70 869 569
Equity as at 1 January 2017	16 933 400	87 068 087		-33 131 919	70 869 569
Profit for the period				-13 153 236	-13 153 236
Total comprehensive income	0	0	0	-13 153 236	-13 153 236
Issue of share capital and premium	0	0			0
Equity as at 31 December 2017	16 933 400	87 068 087	0	-46 285 154	57 716 333

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Statement of Cash Flows

Safe Deposit Holding ASA

NOK	Parent		Notes	Group	
	2016	2017		2017	2016
-1 007 302	-698 576		Profit before income tax	-13 153 236	-17 639 747
0	0		+ Depreciation and write-downs	2 161 974	3 475 359
-1 007 302	-698 576		Net cash increase from ordinary operations	-10 991 261	-14 164 388
40 027	-101 612		Decrease/(increase) other receivables	-101 612	-53 892
209 604	23 602		Increase/(decrease) short term debt	-78 088	-5 197 169
0	0	8	Increase/(decrease) deposits and debt to Clients	-219 560 218	220 153 633
-757 671	-776 586		A) Net cash flow from operations	-230 731 179	200 738 184
0	0		Increase in intangible and tangible fixed assets	0	-881 517
0	0		Reductions in tangible fixed assets	0	0
0	0		Net investments in subsidiaries	0	0
0	0		B) Net cash flow from investment	0	-881 517
0	0		Increase/(decrease) in equity	0	0
0	0		C) Net cash flow from financial activities	0	0
-757 671	-776 586		A) + B) + C) Net changes in cash and cash equivalents	-230 731 179	199 856 667
5 102 791	4 345 120		Cash and cash equivalents at 01.01	288 202 477	88 345 810
4 345 120	3 568 534	6,7,12	Cash and cash equivalents at 31.12	57 471 298	288 202 477
-757 671	-776 586		Net changes in cash and cash equivalents	-230 731 179	199 856 667

Note 1 – General information

Description of the business

The head office is at Haakon VII's street no 1 in Oslo and includes the parent company Safe Deposit Holding ASA and the subsidiary Safe Deposit Bank of Norway AS.

The Financial statements for 2017 were approved by the Board of Directors on March 20. 2018.

Note 2 – Accounting policies

Basis for preparing the consolidated annual accounts

The accounts for 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the EU. The measurement base for both the Parent company and Group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2017.

New or revised accounting standards approved but not implemented in 2017

IFRS 9 – Financial Instruments regulates the classification, measurement and recognition of financial assets and financial liabilities and replaces the existing IAS 39. The classification of a financial instrument is dependent on the business model for

the portfolio where the instrument is included and on whether the cash flows are solely payments for principal and interest. Under the new standard, financial assets are to be divided into two categories based on measurement method: fair value or amortised cost. For financial liabilities the requirements are broadly identical to the current standard. The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The implementation of the standard will have no material impact on the accounts due to no activity concerning loans to Clients. The standard is endorsed by the EU and implementation date is 1 January 2018.

IFRS 15 – Revenue from Contracts with Clients. This is a new common standard for revenue recognition and replaces all existing standards and interpretations for recognition. The standard applies to all revenue contracts and contains a model for recognition and sale of certain non-financial assets. The implementation of the standard will have no material impact on the accounts. The standard is endorsed by the EU and implementation date is 1 January 2018.

IFRS 16 – Leases. The standard requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for most lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. The implementation of the new standard is expected to have minimal impact on the accounts. The standard is endorsed by the EU. Expected implementation: 1 January 2019 at the earliest.

Presentation currency

The presentation currency is the Norwegian Krone (NOK), which is also the Groups's functional currency.

Note 2 – continued

Consolidation

The Group accounts include the parent company and all subsidiaries which are not due for divestment in the near future and which are therefore to be classified as held for sale under IFRS 5. All undertakings controlled by the Group, i.e. where the Group has the power to control the undertaking's financial and operational principles with the intention of achieving benefits from the undertaking's activities, are regarded as subsidiaries. Subsidiaries are consolidated from the date on which the Group has taken over control, and are deconsolidated at the date on which the Group relinquishes control. Mutual balance sheet items and all significant profit elements are eliminated.

Upon takeover of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while a negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets. All intra-group transactions are eliminated in the preparation of the Group accounts. The non-controlling interest of the Group result is presented on a separate line under profit after tax in the income statement. In the equity capital, the non-controlling interest is shown as a separate item.

Financial instruments

Financial assets and liabilities are recognised in the statement of financial position on the trading date, i.e. at the date the Group becomes a party to the contractual provisions of the financial instruments. Financial assets are derecognised when the right to receive and retain cash flows from the asset has expired. If the Group enters into agreements whereby assets are transferred to counterparties, though parts of or the entire risk and returns associated

with the ownership are retained by the Group. If the major part of risk and returns is retained, the financial asset is not derecognised, but recognised at a value limited to the Group's continuing involvement. Financial liabilities are derecognised at the time the rights to the contractual obligations have been fulfilled, cancelled or have expired.

Subsidiaries

Subsidiaries are defined as companies in which the Group has control, directly or indirectly, through ownership or other means. The Group recognises the existence of the fact of control, but generally assumes to have control when the Group's direct or indirect holdings represent more than 50 percent. With respect to companies where the Group's holding is 50 percent or less, the Group makes an assessment of whether other factors indicate de facto control. Investments in subsidiaries are accounted for at cost in the parent entity's accounts.

Impairment

Amounts recorded on the statement of financial position are reviewed on the statement of financial position date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Write-down is undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognised in profit/loss and are reversed where there is a change in estimates used to compute the recoverable amount.

Intangible assets

Software expenses recognised in the statement of financial position are depreciated according to a straight line principle over their expected useful life and are subject to a depreciation test when indications of impairment exists

Note 2 – continued

Property, plant and equipment

Property, plant and equipment along with property used by the owner are accounted for in accordance with IAS 16. The investment is initially measured at its cost and is thereafter depreciated on a linear basis over its expected useful life. When establishing a depreciation plan, the individual assets are to the necessary extent split up into components with differing useful life, with account being taken of estimated residual value. Property, plant and equipment items which individually are of little significance, for example PCs, and other office equipment, are not individually assessed for residual value, useful lifetime or value loss, but are assessed as groups. Property, plant and equipment which are depreciated are subject to a depreciation test in keeping with IAS 36 when indicates of impairment exists.

Interest income and expenses

Interest income and expenses related to assets and liabilities which are measured at amortised cost are recognised in profit/loss on an ongoing basis using the effective interest rate method. Charges connected to interest-bearing funding and lending are included in the computation of effective interest rate and are amortised over expected lifetime.

Commission income and expenses

Commission income and expenses are generally accrued in step with the provision of the service.

Transactions and holdings in foreign currency

Transactions in foreign currency are converted to Norwegian kroner at the transaction exchange rate. Gains and losses on executed transactions or on conversion of holdings of monetary items on the balance sheet date are recognised in profit/loss, unless they are recognised directly in equity based on hedging principles. Gains and losses on conversion of items other than monetary items are recognised in the same way as the appurtenant balance sheet item.

Income taxes

Tax recorded in the profit and loss account comprises tax in the period (payable tax) and deferred tax. Period tax is tax calculated on the taxable profit for the year. Deferred tax is accounted for by the liability method in keeping with IAS 12. The rate of tax in effect at all times is employed when calculating deferred tax. In the case of deferred tax, liabilities or assets are calculated on temporary differences i.e. the difference between balance-sheet value and tax-related value of assets and liabilities. However, liabilities or assets are not calculated in the case of deferred tax on goodwill for which there is no deduction for tax purposes, nor on first-time-recognised items which affect neither the accounting nor the taxable profit. In the case of deferred tax an asset is calculated on a tax loss carryforward.

Deposits from Clients

Clients deposits are recognised at amortised cost.

Provisions, contingent assets and contingent liabilities

A provision is only recognised when an obligation exists (legal or constructive) as a result of a previous event, and it is likely that an outflow resources embodying economic benefits will be required to fulfill the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are recognised at the amount that expresses the existing obligation. If material the time value of money is taken into account when calculating the size of the provision. Contingent assets or contingent liabilities are not recognised.

Defined contribution

Under a defined contribution pension scheme the Group does not provide a future pension of a given size; instead the Group pays an annual contribution to the employees' collection pension savings. The future pension will depend on the size of the contribution and annual return on the pension savings. The Group has no further obligations regarding the labour contribution after the annual

Note 2 – continued

contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed.

Dividends

Dividends are recognised as equity capital until approved by the Parent Company's Annual General Meeting.

Events after the balance sheet date

The annual accounts are regarded as approved for publication once they have been considered by the Board of Directors. The Annual General Meeting and regulatory authorities can thereafter refuse to approve the accounts, but not to change them. Events up to the time at which the accounts are approved for publication, and which relate to circumstances already known on the balance sheet date, will be included in the information base for accounting estimates and thus be fully reflected in the accounts. Events concerning circumstances that were not known on the balance sheet date will be disclosed if significant.

The accounts are presented on the going-concern assumption. In the view of the Board of Directors this assumption was met at the time the accounts were approved for presentation. The Board of Directors' proposal for dividends is set out in the Directors' report and in the equity capital statement.

Note 3 – Critical estimates and assessments concerning

In the preparation of the Group accounts the management makes accounting estimates, discretionary assessments and assumptions that influence the effect of the application of the accounting principles and hence the amounts booked for assets, liabilities, incomes and expenses. Estimates and discretionary assessments are evaluated continuously and are based on empirical experience and expectations of events which, as of the balance sheet date, are deemed likely to occur in the future.

Intangible assets

Write-down tests of intangible assets are largely based on discounting of expected future cash flows. Cash flow estimates will invariably be subject to substantial uncertainty, and in some cases the methods used to assign cash flows to different assets will also be encumbered with uncertainty. Assets are depreciated on a straight-line basis over expected lifetime from the date they are ready for use.

Note 4 – Risks

The SDH Group started operations in 2016. The Group's Risk Management Strategy provides effective risk management process that is appropriate to its size and risks.

The Risk Management Strategy describes the overall risk appetite for the Group and stipulates responsibilities for the risk management system and helps ensure adequate and systematic risk management and internal controls within the Group, in order to ensure that the risk profile of the Group remains within the risk appetite level deemed appropriate by the Board of Directors.

The Group operates at a low level of aggregate risk. The Group's main risk categories, as outlined below, are operational risk, credit risk and business and strategic risk.

Note 4 – continued

Operational risk

The Group's main risk is expected to be operational risk related to operational activities and compliance with regulatory requirements.

Key operational risks are identified as:

- Ensuring the highest standard of KYC and AML
- Safeguarding of deposits and withdrawal transactions
- Operational stability / deposit liquidity – client deposits available at all times
- Integrity and confidentiality of client data

The Company has a low tolerance for operational errors and have designed business processes and internal controls to minimize these risks.

Credit risk

The Group has no credit and counterparty risk related to loans or accounts receivable as SDBN receives their income as a fee of the Client's bank deposits in the Norges Bank.

Credit and counterparty risk is therefore only relevant to the Group's own bank deposits. All own funds are deposited with the Group's main bank (Handelsbanken) or Norges Bank. Credit risk is therefore limited to the funds held with these counterparties.

The Group's risk appetite for credit risk is low. The Group has developed detailed guidelines for how to manage credit risk as part of the Risk Management Strategy.

Business and strategic risk

The Group, as all operating companies, will be exposed to business and strategic risk.

Other risk categories

SDH will be exposed to ownership risk related to their shares in SDBN. This risk will mainly be related to operational risk, credit risk and business and strategic risk for business operations as described above. This will be monitored by the management and Board of Directors in SDH.

The Group is exposed to liquidity and financing risk. Risk exposure and risk tolerance is low as the Group's business model requires and ensures that client deposits are highly liquid assets, as they are placed in overnight deposits with the Central bank of Norway (Norges Bank). There is also an inherent risk that Group companies do not have enough liquidity to fulfill its obligations with regards to operating expenses. SDH Group and SDBN have adequate capital for 2018 and beyond.

The Group will not have any market risk as the Company will not hold any investments in financial instruments or assume any foreign currency risk.

Leverage risk is not relevant since no Group companies have any debt. Systemic risk is inherently low given the business model.

Note 5 - Capital adequacy

As of 31 December 2017 the capital conservation buffer requirement is 2.5 percent, the systemic risk requirement is 3 percent and countercyclical buffer has differentiated rates become effective for the countercyclical buffer with 2 percent being maintained for exposures in Norway. For exposures in other countries the countercyclical capital buffer rate set by the authorities in the country concerned is used. If the country concerned has not established a rate, the same rate as for exposures in Norway is to be used unless the Ministry of Finance sets another rate. These requirements are additional to the requirement of 4.5 percent CET1 capital, so that the overall minimum requirement on CET1 capital is 12 percent.

The Group's common equity tier 1 capital at year end was NOK 55 566 539,- and risk weighted assets were NOK 19 655 488,-, which gives a CET1 capital ratio of 282,70 %.

Note 6 - Central Banks and credit institutions - loans and receivables

NOK	Parent		Loans and advances to credit institutions	Group	
	2016	2017		2017	2016
	0	0	Cash and balances with central banks	53 106 197	277 415 397
	4 345 120	3 568 534	Loans and receivables without agreed maturity or notice of withdrawal, AA rating	4 365 101	10 787 080
	4 345 120	3 568 534	Total	57 471 298	288 202 477

Loans and advances to credit institutions are floating rate.

Note 7 - Credit quality per class of financial assets

The table below shows credit quality per class of financial assets on the balance sheet. Cash and balances with the Norwegian Central Bank, loans and claims on other Norwegian banks and intercompany loans are considered as lowest risk assets.

NOK	Parent	Neither defaulted nor written down		Total
		Lowest risk	Defaulted or written down	
2017				
	Cash and balances with central banks	0	-	0
	Loans to and receivables from credit institutions	3 568 534	-	3 568 534
	Loans to and receivables from group company	7 620 689	-	7 620 689
	Total	11 189 223	0	11 189 223

NOK	Parent	Neither defaulted nor written down		Total
		Lowest risk	Defaulted or written down	
2016				
	Cash and balances with central banks	0	-	0
	Loans to and receivables from credit institutions	4 345 120	-	4 345 120
	Loans to and receivables from group company	7 516 213	-	7 516 213
	Total	11 861 333	0	11 861 333

Note 7 - continued

NOK	Group	Neither defaulted nor written down		Total
2017		Lowest risk	Defaulted or written down	
	Cash and balances with central banks	53 106 197	-	53 106 197
	Loans to and receivables from credit institutions	4 365 101	-	4 365 101
	Total	57 471 298	0	57 471 298

NOK	Group	Neither defaulted nor written down		Total
2016		Lowest risk	Defaulted or written down	
	Cash and balances with central banks	277 415 397	-	277 415 397
	Loans to and receivables from credit institutions	10 787 080	-	10 787 080
	Total	288 202 476	0	288 202 476

Note 8 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets.

NOK Group						
At 31 December 2017	On demand	Below 3 months	3-12 months	1-5 years	Above 5 years	Total
Cash flows related to liabilities						
Deposits from and debt to Clients	593 416					593 416
Other commitments	1 396 150					1 396 150
Total cash flow liabilities	1 989 565	0	0	0	0	1 989 565
Cash flows related to assets						
Deposits from and debt to Clients						
Other commitments						
Total cash flow assets	0	0	0	0	0	0

NOK Group						
At 31 December 2016	On demand	Below 3 months	3-12 months	1-5 years	Above 5 years	Total
Cash flows related to liabilities						
Deposits from and debt to Clients	220 153 633					220 153 633
Other commitments	1 578 712					1 578 712
Total cash flow liabilities	221 732 345	0	0	0	0	221 732 345
Cash flows related to assets						
Deposits from and debt to Clients						
Other commitments						
Total cash flow assets	0	0	0	0	0	0

Note 9 - Employee remuneration

Pursuant to section 6 – 16a of the Norwegian Public Limited Companies Act, The Board of Directors will present the following statement on remunerations to Annual General Meeting for voting:

According to the SDBN Remuneration Policy, SDBN will offer their employees remuneration that is fair, motivating and in line with the Risk and Management Strategy. This Policy shall ensure that SDBN will comply with regulations concerning remuneration in Financial Institutions. The Policy applies to all forms of remunerations and to all employees.

NOK	Parent			Group	
	2016	2017		2017	2016
220 000		120 000	Wages	3 401 345	5 619 344
214 380		234 864	Accrued wages	623 799	452 580
0		0	Pension costs	123 912	121 552
26 790		3 820	Employer's contribution	643 044	934 407
14 678		12 013	Social costs	60 804	77 931
475 848		370 697	Total personnel	4 852 903	7 205 814

The Group had 4 employees as of December 31 2017, which implies FTE of 3.2.

CEO	2017	2016
Morten Meland	1 610 248	1 603 176

Compensation to board members	2017	2016
Christian A. Horneman Wist	100 000	160 000
Olga Godinho	50 000	30 000
Monica Haugen	50 000	0
Harry Konterud	50 000	0
Daniel Vock	50 000	0
Morten Evjenth Lindbæck ¹	0	30 000

No additional bonus or variable remunerations were paid to board members or management.

There are no loans or guarantees to board members or management.

The SDBN compensation committee consists of all members of the SDBN Board.

It is the opinion of the SDBN Board that the SDBN Remuneration for management in 2017 is in accordance with the SDBN Remuneration Policy.

No longer a Board Member ¹

Note 10 - Other operating expenses

NOK	Parent			Group	
	2016	2017		2017	2016
0		0	Ordinary depreciation	2 161 974	3 475 359
0		0	Operating expenses, real properties	929 300	746 812
406 590		270 947	Purchased services	1 938 040	1 927 299
129 177		163 426	Other operating expenses	3 484 531	4 311 767
535 767		434 373	Other operating expenses	8 513 844	10 461 237
			Audit fees		
62 500		104 885	Statutory audit services	292 664	125 000
0		0	Other attestation services	127 356	0
0		0	Tax-related services	57 500	71 910
99 766		0	Other non-audit services	0	99 766
162 266		104 885	Total incl value added tax	477 520	296 676

Note 11 - Income tax

The following is a specification of the difference between the accounting profit before tax, the year's tax base and the year's tax charge.

NOK	Parent			Group	
	2016	2017		2017	2016
-1 007 302		-698 576	Profit before tax	-13 153 236	-17 639 746
12 000		0	+/- permanent differences	2 001	24 000
0		0	+/- change in temporary differences as per specification	5 361	3 656
-995 302		-698 576	Income subject to tax	-13 145 874	-17 612 090
0		0	Payable tax	0	0
0		0	Net change in deferred tax	0	0
0		0	Income tax	0	0

NOK	Parent		Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement	Group	
	2016	2017		2017	2016
Deferred tax in balance sheet				Deferred tax in balance sheet	
			Temporary differences:		
-		-	Property, plant and equipment	5 189	10 550
0		0	Total tax-increasing temporary differences	5 189	10 550
0		0	Deferred tax	1 297	2 532
			Temporary differences:		
-8 187 198		-8 885 774	Deficit carried forward	-52 251 665	-39 105 791
-8 187 198		-8 885 774	Total tax-decreasing temporary differences	-52 251 665	-39 105 791
-1 964 928		-2 221 444	Deferred tax asset	-13 062 916	-9 385 390
-1 964 928		-2 221 444	Net	-13 061 619	-9 382 858

The above table comprises temporary differences from all consolidated companies shown gross. At the company level tax-increasing and tax-reducing temporary differences are shown net. At the group level recognition is on a gross basis in conformity with IAS 12 with each company being presented separately in the calculation of the Group's tax benefit and deferred tax.

Deferred tax asset is not recognised in the statement of financial position at year end 2016 or 2017.

Note 12 - Financial instruments

Fair value of financial instruments at amortised cost

Amortised cost entails valuing items in the financial statement of financial position after initially agreed cash flows, adjusted for impairment. Measurement at fair value will invariably be encumbered with uncertainty. For loans to and claims on credit institutions, as well as debt to credit institutions, fair value is estimated as equal to book value.

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group,

price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

NOK	Parent	Classification	2017			2016		
			Book value	Fair value	Level	Book value	Fair value	Level
Assets								
	Loans to and receivables from credit institutions	Amortised cost	3 568 534	3 568 534	2	4 345 120	4 345 120	2
	Loans to group companies	Amortised cost	7 620 689	7 620 689	2	7 516 213	7 516 213	2
	Total financial assets		11 189 223	11 189 223		11 861 333	11 861 333	
Liabilities								
	Total financial liabilities	Amortised cost	0	0	2	0	0	2

Note 12 - continued

NOK	Group	Classification	2017			2016		
			Book value	Fair value	Level	Book value	Fair value	Level
Assets								
	Cash and balances with central banks	Amortised cost	53 106 197	53 106 197	2	277 415 397	277 415 397	2
	Loans to and receivables from credit institutions	Amortised cost	4 365 101	4 365 101	2	10 787 080	10 787 080	2
	Total financial assets		57 471 298	57 471 298		288 202 476	288 202 476	
Liabilities								
	Deposits from and debt to Clients	Amortised cost	593 416	593 416	2	220 153 633	220 153 633	2
	Total financial liabilities		593 416	593 416		220 153 633	220 153 633	

Note 13 - Intangible assets

NOK	Parent			Group	
	2016	2017		2017	2016
			Intangible assets		
	0	0	Cost as at 1 January	7 762 768	6 881 250
	0	0	Intragroup acquisitions/disposals	0	0
	0	0	Acquisitions/disposals	0	881 518
	0	0	Cost as at 31 December	7 762 768	7 762 768
	0	0	Total depreciation and impairment as at 1 January	3 463 179	0
	0	0	Depreciation	2 149 794	3 463 179
	0	0	Total depreciation and impairment as at 31 December	5 612 973	3 463 179
	0	0	Carrying amount as at 31 December	2 149 794	4 299 588

Intangible assets concerns IT systems and licenses. The IT systems are amortised on a straight-line basis over two years in accordance with the rest period of the agreement. Amounts recorded above are reviewed on the balance sheet date for any indications of value impairment. No write-downs has been made in 2016 or 2017.

Note 14 - Other debt and liabilities

NOK	Parent		Other debt and recognised liabilities	Group	
	2016	2017		2017	2016
578		3 697	Creditors	273 690	262 893
214 380		234 864	Other	1 122 459	1 315 819
214 958		238 561	Total other debt and recognised liabilities	1 396 150	1 578 712
0		0	Guarantee commitments	0	0
0		0	Total guarantee commitments	0	0
0		0	Other commitments, not recognised	0	0
0		0	Total other commitments	0	0
214 958		238 561	Total commitments	1 396 150	1 578 712

There are no securities pledged at year end 2016 or 2017.

Note 15 - Investments in subsidiaries and transactions with related parties

Shares in subsidiaries

Recorded at acquisition cost in the Parent company. Full consolidation in the Group accounts.

NOK 2017	Company number	Reg. office	Stake in percent	Share capital	No of shares	Nominal value
Safe Deposit Bank of Norway AS	999644392	Oslo	100	40 100 000	401 000	100
Total investments in credit institutions				40 100 000	401 000	100

	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
Safe Deposit Bank of Norway AS	56 085 025	9 371 693	107 018	12 561 677	-12 454 660	90 100 000
Total investments in credit institutions	56 085 025	9 371 693	107 018	12 561 677	-12 454 660	90 100 000

NOK 2016	Company number	Reg. office	Stake in percent	Share capital	No of shares	Nominal value
Safe Deposit Bank of Norway AS	999644392	100	40 100 000	401 000	100	100
Total investments in credit institutions			40 100 000	401 000	100	100

	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
Safe Deposit Bank of Norway AS	288 201 592	229 033 600	353 352	16 985 797	-16 632 444	90 100 000
Total investments in credit institutions	288 201 592	229 033 600	353 352	16 985 797	-16 632 444	90 100 000

Significant transactions with group companies

NOK	2017	2016
Loan (Safe Deposit Bank of Norway AS)	7 516 213	7 516 213
Interest income/expense	104 475	0
Intragroup acquisition/disposal of intangible assets	0	0
Total Loan (Safe Deposit Bank of Norway AS)	7 620 689	7 516 213

Note 16 - Share capital

NOK Share capital	Number of shares	Nominal value	Book value
Ordinary shares 1 January 2016	84 667	200	16 933 400
Issue new shares	0		0
Ordinary shares 31 December 2016	84 667	200	16 933 400
Issue new shares	0		0
Ordinary shares 31 December 2017	84 667	200	16 933 400

Largest shareholders	Solstice	Number of shares	Ownership in percent
CREDIT SUISSE (SWITZERLAND) LTD.		9 018	10,65 %
JOH JOHANNSON EIENDOM AS		8 458	9,99 %
RUFFEN INVESTOR AS		8 458	9,99 %
MORTEN FRODE MELAND	CEO	8 458	9,99 %
SUNDT AS		6 666	7,87 %
UBS SWITZERLAND AG	Board Member ¹	6 224	7,35 %
UNION BANCAIRE PRIVEE, UBP SA		4 229	4,99 %
BANQUE INTERNATIONALE À LUXEMBOURG		4 229	4,99 %
HENNING LASSEN		3 350	3,96 %
BEETLE INVEST AS		3 334	3,94 %
NERGAARD INVESTMENT PARTNERS AS		3 333	3,94 %
HÅKON WÆRSTAD		3 000	3,54 %
HARALD ARNE LOTHE		2 050	2,42 %
NSV INVEST AS		1 667	1,97 %
RINGNES HOLDING AS		1 667	1,97 %
ØVRE HOLDING AS		1 334	1,58 %
HAUGANS HUS AS	Board Member ²	1 334	1,58 %
BACHELOR AS		1 333	1,57 %
FERMIN AS		1 000	1,18 %
CHRISTIAN ALEXANDER HORNEMAN WIST	Board Member	200	0,24 %
HARRY KONTERUD	Board Member	95	0,11 %
Others less than 1 %		5 230	6,18 %
Total		84 667	100,0 %

¹Board Member Olga Godinho - ²Board Member Monica Amanda Haugan

Note 17 - Subsequent events

As of 2017, SDBN had applied for an extension of its current banking license beyond Norges Bank. In the beginning of 2018 the extension was granted by the Ministry of Finance to include European Central banks.



sdbn



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Safe
Deposit
Bank
of Norway

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Safe Deposit Holding ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Safe Deposit Holding ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2017, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 proposal for the allocation of the result 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 20 March 2018
ERNST & YOUNG AS



Einar Hersvik
State Authorised Public Accountant (Norway)