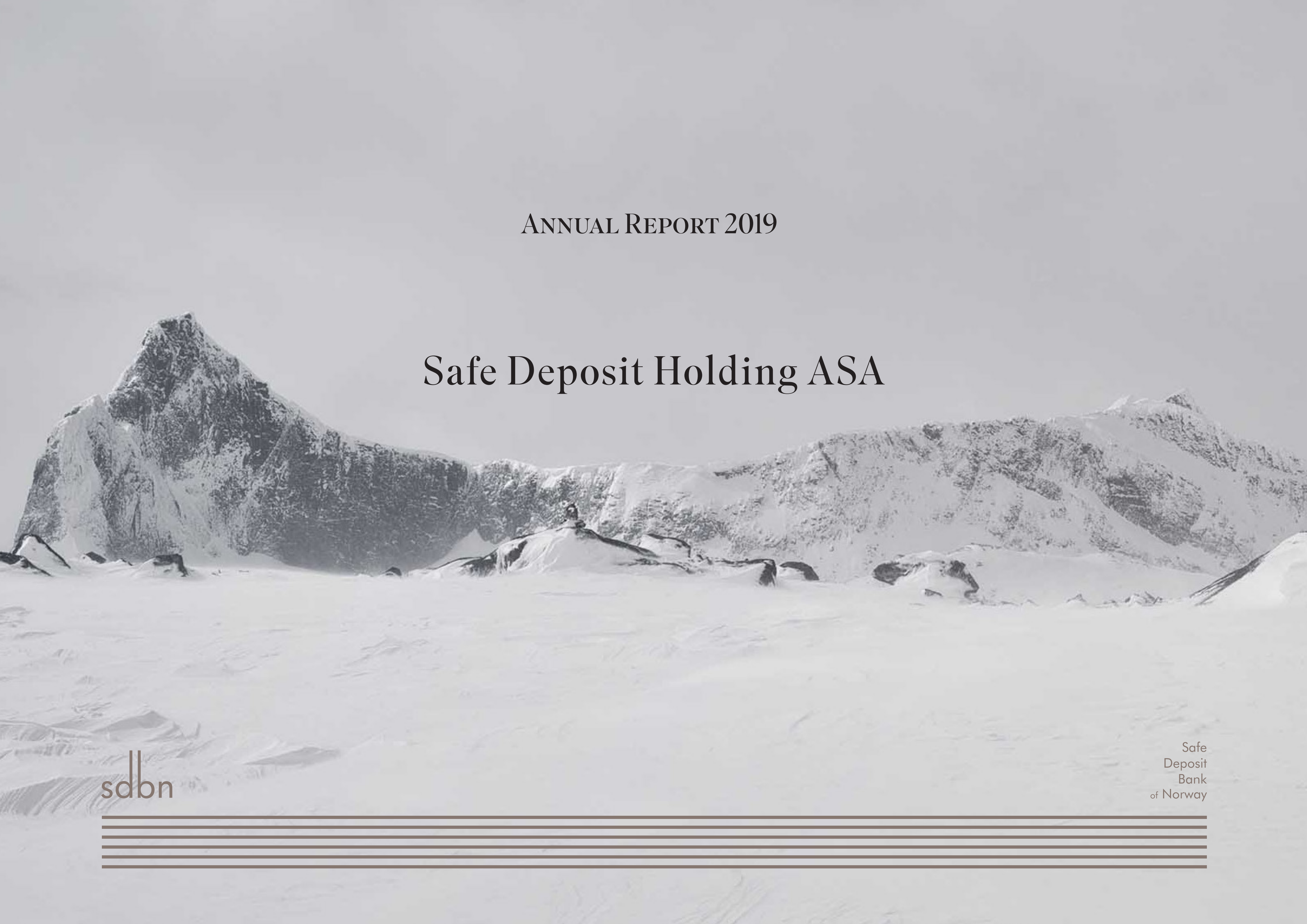

Annual Report 2019

Safe Deposit Holding ASA

Safe
Deposit
Bank
of Norway

As we are writing this, our world is encountering a growing health risk, the full outcome of which is as yet difficult to predict. Notably, given the niche scope of our bank, compared to other players in the banking industry, the disturbances inflicted by this unprecedented health risk are not expected to have significant impact on the Group. We have implemented our business continuity plans, providing our service seamlessly whilst protecting our team. Over the past year we have fully prepared our way forward, investing in and executing our long-term growth strategy with the EUR product.

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 service 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.

SDBN's institutional Clients value real-time liquidity and security, it is important for them to know exactly where their cash is, which with SDBN can only be at the Central Banks of Germany and Norway. SDBN provides a unique cash diversification and capital preservation tool. The Bank's operations are purposefully streamlined and restricted to minimize financial, operational and reputational risk. SDBN works with a number of well positioned, highly regarded firms, whose respective partners and their teams provide SDBN with solid support. The Bank actively pursues our commitment to always operate at the lowest level of aggregate risk.

SDH's net result for 2019 shows a net loss of NOK 633.409, which is transferred to other equity. The 2019 net result for the group shows a loss of NOK 13.137.780. Commensurate with our conservative approach, the Deferred Tax Asset of NOK 2.527.143 (SDH) and NOK 19.385.088 (Group) as of 31 December 2019 is not recognized in the balance sheet.

The 2019 operational results reflect the operating and salary costs incurred in the final implementation of the new EUR product. Future income from operations is expected to cover the aggregated start-up costs brought forward and investments within a few years. SDH and SDBN have equity to cover several years of 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 (our 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 2019 with five employees. Being a niche bank, and reliant on technology, our employees, three male and two females, are supported by outsourced expertise as well as an active Board of Directors which are 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 the Boards.

The SDH and Group operations do not cause any external environmental 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 25, 2020

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Christian A. Horneman Wist	Olga Godinho	Monica Amanda Haugan	Harry Konterud	Daniel Vock	Morten Meland
Chairman	*Board Member*	*Board Member*	*Board Member*	*Board Member*	*CEO*

Income Statement

NOK Parent 2018	2019		Notes	Group 2019	2018
102 807	777	Interest income (amortised cost)		373 103	260 860
0	0	Interest expenses (amortised cost)		161 435	0
102 807	**777**	**Net interest income**		**211 667**	**260 860**
0	0	Commission income		265 028	265 384
0	0	Commission expenses		522 334	259 978
0	**0**	**Net fee and commission income**		**-257 306**	**5 406**
0	**0**	**Change in value of financial investments**		**0**	**0**
102 807	**777**	**Total income**		**-45 638**	**266 266**
330 500	358 144	Employee Remuneration	9	5 535 530	3 926 490
361 696	276 042	Other operating expenses	10	7 556 612	8 522 502
692 196	**634 186**	**Total operating expenses**		**13 092 141**	**12 448 993**
-589 389	**-633 409**	**Profit before impairment on loans and taxes**		**-13 137 780**	**-12 182 727**
-589 389	**-633 409**	**Profit before income tax**		**-13 137 780**	**-12 182 727**
0	0	Income tax	11	0	0
-589 389	**-633 409**	**Profit for the period**		**-13 137 780**	**-12 182 727**

Other Comprehensive Income

NOK	Parent			Group	
	2018	2019		2019	2018
	-589 389	-633 409	Profit for the period	-13 137 780	-12 182 727
			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
	-589 389	**-633 409**	**Total comprehensive income**	**-13 137 780**	**-12 182 727**

Balance Sheet

NOK Parent 31.12.18	Parent 31.12.19		Notes	Group 31.12.19	Group 31.12.18
		ASSETS			
0	0	Cash and balances with Central Banks	6,7,12	27 813 764	31 526 936
1 590 648	1 025 317	Loans to and receivables from credit institutions	6,7,12	23 268 414	11 144 614
0	0	Loans to and receivabels from group company	7,12,16	0	0
99 100 000	120 500 000	Investment in group company	12,16	0	0
0	0	Property, plant and equipment	14	2 602 605	20 288
0	0	Intangible assets	13	4 304 899	4 376 115
60 000	60 000	Other assets		60 000	60 000
100 750 648	**121 585 317**	**Total assets**	**1,2,3,4**	**58 049 682**	**47 127 952**
		LIABILITIES AND EQUITY			
0	0	Deposits from and debt to Clients	8	0	326 558
237 036	239 213	Other liabilities	8,15	4 187 955	1 267 788
237 036	**239 213**	**Total liabilities**		**4 187 955**	**1 594 345**
16 933 400	18 800 000	Share capital	17	18 800 000	16 933 400
87 077 753	106 677 053	Share premium		106 667 387	87 068 087
0	0	Other paid-in capital		0	0
-3 497 541	-4 130 950	Other equity		-71 605 660	-58 467 881
100 513 612	**121 346 104**	**Total equity**		**53 861 727**	**45 533 607**
100 750 648	**121 585 317**	**Total liabilities and equity**	**18**	**58 049 682**	**47 127 952**

Oslo, March 25, 2020

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

Statement of Changes in Equity

NOK		Issued equity			
Parent	Share capital	Share premium	Other paid in capital	Other equity	Total equity
Equity as at 1 January 2018	**16 933 400**	**87 077 753**		**-2 908 152**	**101 103 001**
Profit for the period				-589 389	-589 389
Total comprehensive income	**0**	**0**	**0**	**-589 389**	**-589 389**
Issue of share capital and premium	0	0			0
Equity as at 31 December 2018	**16 933 400**	**87 077 753**	**0**	**-3 497 541**	**100 513 612**
Equity as at 1 January 2019	**16 933 400**	**87 077 753**		**-3 497 541**	**100 513 612**
Profit for the period				-633 409	-633 409
Total comprehensive income	**0**	**0**	**0**	**-633 409**	**-633 409**
Issue of share capital and premium	1 866 600	19 599 300			21 465 900
Equity as at 31 December 2019	**18 800 000**	**106 677 053**	**0**	**-4 130 950**	**121 346 104**

Statement of Changes in Equity

NOK	Issued equity				
Group	Share capital	Share premium	Other paid in capital	Other equity	Total equity
Equity as at 1 January 2018	**16 933 400**	**87 068 087**		**-46 285 154**	**57 716 334**
Profit for the period				-12 182 727	-12 182 727
Total comprehensive income	**0**	**0**	**0**	**-12 182 727**	**-12 182 727**
Transfer	0	0	0	0	0
Equity as at 31 December 2018	**16 933 400**	**87 068 087**	**0**	**-58 467 881**	**45 533 607**
Equity as at 1 January 2019	**16 933 400**	**87 068 087**		**-58 467 881**	**45 533 607**
Profit for the period				-13 137 780	-13 137 780
Total comprehensive income	**0**	**0**	**0**	**-13 137 780**	**-13 137 780**
Issue of share capital and premium	1 866 600	19 599 300			21 465 900
Equity as at 31 December 2019	**18 800 000**	**106 667 387**	**0**	**-71 605 660**	**53 861 727**

Statement of Cash Flows

NOK	Parent				Group	
	2018	2019		Notes	2019	2018
	-589 389	-633 409	Profit before income tax		-13 137 780	-12 182 727
	0	0	+ Depreciation and write-downs		1 122 200	2 161 974
	-589 389	**-633 409**	**Net cash increase from ordinary operations**		**-12 015 579**	**-10 020 753**
	7 613 028	0	Decrease/(increase) other receivables		0	-7 661
	-1 525	2 177	Increase/(decrease) short term debt		2 920 167	-128 362
	0	0	Increase/(decrease) deposits and debt to Clients	8	-326 558	-266 858
	7 022 114	**-631 231**	**A) Net cash flow from operations**		**-9 421 970**	**-10 423 633**
	0	0	Increase in intangible and tangible fixed assets		-3 633 301	-4 376 115
	0	0	Reductions in tangible fixed assets		0	0
	-9 000 000	-21 400 000	Net investments in subsidiaries		0	0
	-9 000 000	**-21 400 000**	**B) Net cash flow from investment**		**-3 633 301**	**-4 376 115**
	0	21 465 900	Increase/(decrease) in equity - issue of share capital and premium		21 465 900	0
	0	**21 465 900**	**C) Net cash flow from financial activities**		**21 465 900**	**0**
	-1 977 886	**-565 331**	**A) + B) + C) Net changes in cash and cash equivalents**		**8 410 628**	**-14 799 748**
	3 568 534	1 590 648	Cash and cash equivalents at 01.01		42 671 550	57 471 298
	1 590 648	1 025 316	Cash and cash equivalents at 31.12	6,7,12	51 082 178	42 671 550
	-1 977 886	**-565 331**	**Net changes in cash and cash equivalents**		**8 410 628**	**-14 799 748**

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 ("SDH") and the subsidiary Safe Deposit Bank of Norway AS ("SDBN").

The Financial statements for 2019 were approved by the Board of Directors on 25 March 2020.

License

The Group holds a license as a bank granted by The Financial Supervisory Authority of Norway. The Group may provide the following services:
(i) Acceptance of deposits and other repayable funds
(ii) Lending (limited to lending whereby a European Central Bank is the debtor)

The services correspond to activities no. 1 and 2 included in Annex I of Directive 2013/36/EU on access to the activity of a credit institutions and prudential supervision of credit institutions and investment firms ("CRDIV Directive").

Legal framework

Norway is not a member of the EU. However, Norway is a party to the agreement on the European Economic Area (the "EEA Agreement"), which is an agreement between the EU and the three EFTA-states (Norway, Iceland and Liechtenstein). With regard financial services, practically speaking all EU directives and regulations ("EU acts") are relevant to the EEA Agreement. Decisions to include EU acts in the EEA-agreement require, as a main rule, the approval of the Norwegian parliament. Nevertheless, the Norwegian legislative and executive branch has adopted rules in order to ensure a homogenous EEA i.e. through adoption of materially similar rules implementing EU acts relevant for the financial sector.

Deposits are regarded as Client funds

The Group's internal account registry with respect to the Group's accounts in Central Banks, together with Client deposit agreements, establish that the funds are sufficiently segregated and accordingly not regarded as the property of the Group. Therefore, under Norwegian law, the Group's creditors may not on an individual basis execute attachment liens or by other means create security interests or seize the deposits in order to cover outstanding claims towards the Group.

Crisis measures/resolution tools under BRRD and winding-up proceedings

Under Norwegian law banks may not be subject to mandatory debt settlement proceedings or insolvency proceedings pursuant to the Norwegian Bankruptcy Act but placed under administration where bail in-tools may apply to any liabilities of the bank including non-guaranteed deposits. Exemption for liabilities arising by virtue of fiduciary relationship is likely to apply to Central Bank deposits made through SDBN. More importantly, the Group's minimum capital requirement, excessive 0% risk-weighted capital and current recovery plan suggests that a bail-in is an extremely unlikely event.

Note 2 - Accounting policies

Basis for preparing the consolidated annual accounts
The accounts for 2019 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 2019.

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

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 balance sheet at the date the Group becomes a party to the contractual provisions of the financial instruments. A financial asset is derecognized when the right to receive and retain cash flows from the asset has expired, or when the rights to receive the cash flows from the financial asset and substantially all the risks and rewards from ownership of the financial asset has been transferred. If the Group retains the rights to receive the cash flows from the financial asset but assumes an obligation to pay those cash flows to the eventual recipients, the asset is derecognized if the arrangements meets the criteria for being a "pass-through" arrangement. A financial liability is derecognized when it is extinguished, i.e. when the financial liability is discharged, cancelled or expires.

Classification and measurement
All working capital financial assets of the Group are measured at amortised cost as these assets represent contractual cash flows that are solely payment of principal and interest on the amount outstanding, and are held in a context that requires amortised cost measurement. Financial liabilities shall be accounted for at amortised cost, unless they are held for trading, designated at fair value through profit or loss or are derivatives. All financial liabilities of the Group are measured at amortised cost.

Note 2 - continued

Subsidiaries

Subsidiaries are defined as companies in which the Group has control, directly and indirectly, through ownership or other means. The Group recognises the existence of the facto control, but generally assumes to have control when the Group's direct og 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

Impairments are recognised based on a three-stage model, where assets are classified in stage 1 at initial recognition and in subsequent periods if the credit risk of the assets has not increased significantly since initial recognition. Impairment losses for assets classified in stage 1 is measured as the 12-monthexpected credit loss. If the credit risk has increased significantly since initial recognition the financial assets shall be classified in stage 2 or 3, and expected credit loss is measured at the lifetime expected credit loss.

All financial assets of the Group are with Central Banks and investment grade counterparties. As all financial assets are considered to be low credit risk (investment grade) at the reporting date, the Group has concluded that credit risk has not increased significantly since initial recognition. Based on an assessment, the Group has concluded that the estimated 12-months expected credit loss is clearly immaterial.

Intangible assets

Software expenses recognised in the balance sheet are amortised according to a straight line principle over their expected useful life and are subject to a impairment test when indications of impairment exists.

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 an impairment test in keeping with IAS 36 when indications of impairment exist.

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.

Note 2 - continued

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. The Group's deferred tax asset is not recognised in the balance sheet.

Implementation of IFRS 9

The Group implemented IFRS 9 as of 1 January 2018. The implementation of IFRS 9 did not have any significant impact on measurement of financial assets or liabilities in the Group. All financial assets and liabilities are measured at amortised cost both before and after implementation of IFRS 9, and implementation of IFRS 9's impairment principles did not result in any significant impairments.

Implementation of IFRS 16

Effective 1 January 2019 the Group adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. IFRS 16 eliminates the distinction between operating and finance leases as is required by IAS 17.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Property, plant and equipment in the Balance Sheet and depreciation on right of-use assets are presented within Other operating expenses in the Income Statement.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.
Lease liabilities are presented within Other liabilities in the Balance Sheet and interest on lease liabilities are presented within Interest expenses (amortised cost) within the Income Statement.

Note 2 - continued

Deposits from Clients
In 2018, Client deposits were recognised at amortised cost. From 2019, the Group amended its contract regarding deposits from Clients. The Group arranges for Client's deposits with Central Banks. The Group does not have any right to use these deposits in its own operations, and does not have access to the economic benefits of ownership of these deposits. Based on this, the Group will not recognise the Client's deposits in Central Banks as assets, with a corresponding liability to repay these deposits, as they do not meet the definition of assets of the Group. Further, and supporting this view, if the deposits should have been recognised, the deposits should have been derecognized as the Group does not carry any risks or reward related to the Client's deposits with Central Banks and all cash flows related to the deposits is by way of contract required to be transferred immediately and directly to the owners of the deposits.

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 considered 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' collective 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 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 the use of accounting principles

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 experiences and expectations of events which, as of the balance sheet date, are deemed likely to occur in the future.

Intangible assets

Impairment 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 amortised using 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 and is committed to effective risk management. The Group's main risk categories, as outlined below, are operational risk, credit risk and business and strategic risks.

Operational risk

Operational risk is the risk of an adverse outcome related to inadequate internal processes, people, technology or the impact of external events. Exposure to operational risk arises from both procedure errors as well as extraordinary incidents such as system failures. Potential operational risks include:

- Execution and delivery management
- Business disruption and system failures
- Integrity and confidentiality of Client data

The Group 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 risks related to loans or Client deposits. The Client assumes all risks and rewards pertaining to their deposits and SDBN has no obligation to credit or pay the Client any amount unless equivalent amounts are credited SDBN by the Central Bank and made available for payment to SDBN. Client deposits are backed one-to-one with deposits at the Central Bank without exception. Credit and counterparty risks are therefore only relevant to the Group's bank deposits. All own funds are to be deposited with the Group's main house bank (Handelsbanken), or European Central Banks. Credit risk is therefore limited to the funds held with these counterparties.

Business and strategic risks

The Group is exposed to normal business and strategic risks.

Note 4 - continued

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 risks. 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 European Central Banks, currently the Central Bank of Norway (Norges Bank) and the Central Bank of Germany (Deutsche Bundesbank). There is also an inherent risk that the Group does not have enough liquidity to fulfill its obligations with regards to operating expenses. SDH Group and SDBN have adequate capital for 2020 and beyond.

The Group is exposed to market risk in the form of interest rate risk on (own) deposits. 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 2019 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 2,5 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 12,5 percent. Following the CRR/CRD IV regulation into Norwegian law as of 31 December 2019, the Group's fixed minimum capital requirement is equal to NOK 40 000 000.

The Group's common equity tier 1 capital at year end was NOK 49 556 828,- and risk weighted assets were NOK 7 573 214,- which gives a CET1 capital ratio of 654,37 %.

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

NOK	**Parent**	Loans and advances to credit institutions	**Group**	
2018	2019		2019	2018
0	0	Cash and balances with Central Banks	27 813 764	31 526 936
1 590 648	1 025 317	Loans and receivables without agreed maturity or notice of withdrawal, AA rating	23 268 414	11 144 614
1 590 648	**1 025 317**	**Total**	**51 082 178**	**42 671 550**

Loans and advances to credit institutions are floating rate.

sdbn

Safe Deposit Bank of Norway

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 European 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**		
2019	Lowest risk	Defaulted or written down	Total
Cash and balances with Central Banks	0	-	0
Loans to and receivables from credit institutions	1 025 317	-	1 025 317
Loans to and receivables from group company	0	-	0
Total	**1 025 317**	**0**	**1 025 317**

NOK **Parent**	**Neither defaulted nor written down**		
2018	Lowest risk	Defaulted or written down	Total
Cash and balances with Central Banks	0	-	0
Loans to and receivables from credit institutions	1 590 648	-	1 590 648
Loans to and receivables from group company	0	-	0
Total	**1 590 648**	**0**	**1 590 648**

Note 7 - continued

NOK 2019	Group	Neither defaulted nor written down Lowest risk	Defaulted or written down	Total
Cash and balances with Central Banks		27 813 764	-	27 813 764
Loans to and receivables from credit institutions		23 268 414	-	23 268 414
Total		**51 082 178**	**0**	**51 082 178**

NOK 2018	Group	Neither defaulted nor written down Lowest risk	Defaulted or written down	Total
Cash and balances with Central Banks		31 526 936	-	31 526 936
Loans to and receivables from credit institutions		11 144 614	-	11 144 614
Total		**42 671 550**	**0**	**42 671 550**

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 2019	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	0					0
Other commitments	4 187 955					4 187 955
Total cash flow liabilities	**4 187 955**	**0**	**0**	**0**	**0**	**4 187 955**

NOK **Group** At 31 December 2018	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	326 558					326 558
Other commitments	1 267 788					1 267 788
Total cash flow liabilities	**1 594 345**	**0**	**0**	**0**	**0**	**1 594 345**

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	
	2018	2019		2019	2018
	100 000	100 000	Wages	3 801 263	2 853 511
	234 864	234 864	Accrued wages	757 314	623 799
	0	0	Pension costs	128 084	62 302
	-16 664	-6 720	Employer's contribution	825 487	341 264
	12 300	30 000	Social costs	23 382	45 614
	330 500	**358 144**	**Total personnel**	**5 535 530**	**3 926 490**

The Group had 5 employees as of 31 December 2019 (5 employees as of 31 December 2018), which implies FTE of 4.6 (FTE of 4.6 as of 31 December 2018)

CEO	2019	2018
Morten Meland	1 619 784	1 616 326

Compensation to Board Members	2019	2018
Christian A. Horneman Wist	100 000	100 000
Olga Godinho	50 000	50 000
Monica Haugen	50 000	50 000
Harry Konterud	50 000	50 000
Daniel Vock	50 000	50 000

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 2019 is in accordance with the SDBN Remuneration Policy.

Note 10 - Other operating expenses

NOK Parent 2018	2019		Group 2019	2018
0	0	Ordinary depreciation	1 122 200	2 161 974
0	0	Operating expenses, real properties	201 052	934 097
220 944	133 575	Purchased services	2 639 108	1 212 282
140 751	142 466	Other operating expenses	3 594 251	4 214 150
361 696	**276 042**	**Other operating expenses**	**7 556 612**	**8 522 502**
		Audit fees		
66 453	68 406	Statutory audit services	191 537	186 902
27 226	22 594	Other attestation services	136 619	141 531
0	0	Tax-related services	76 375	59 750
0	0	Other non-audit services	251 263	0
93 679	**91 000**	**Total incl value added tax**	**655 794**	**388 183**

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	
	2018	2019		2019	2018
-589 389	-633 409	Profit before tax	-13 137 780	-12 182 727
0	0	+/- permanent differences	2 632	9 733
0	0	+/- change in temporary differences as per specification	7 816	6 724
-589 389	**-633 409**	**Income subject to tax**	**-13 127 332**	**-12 166 269**
0	**0**	**Payable tax**	**0**	**0**
0	**0**	**Net change in deferred tax**	**0**	**0**
0	**0**	**Income tax**	**0**	**0**

NOK **Parent** Deferred tax in balance sheet 2018	2019	Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement	**Group** Deferred tax in balance sheet 2019	2018
		Temporary differences:		
-	-	Property, plant and equipment	-9 350	-1 535
0	**0**	**Total tax-increasing temporary differences**	**-9 350**	**-1 535**
0	**0**	**Deferred tax**	**-2 338**	**-384**
		Temporary differences:		
-9 475 163	-10 108 572	Deficit carried forward	-77 540 350	-64 413 018
-9 475 163	**-10 108 572**	**Total tax-decreasing temporary differences**	**-77 540 350**	**-64 413 018**
-2 368 791	**-2 527 143**	**Deferred tax asset**	**-19 385 088**	**-16 103 255**
-2 368 791	**-2 527 143**	**Net**	**-19 387 425**	**-16 103 638**

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 balance sheet at year end 2018 or 2019.

Note 12 - Financial instruments

Fair value of financial instruments at amortised cost

Amortised cost entails valuing items in balance sheet after initially agreed cash flows, adjusted for impairment. Measurement at fair value will invariably be encumbered with uncertainty, as it has not been measured, but assumed that their carrying amount (book value) are a reasonable approximation of fair value among else due short-term nature and low credit risk.

NOK **Parent**	Classification	2019 Book value	2018 Book value
Assets			
Loans to and receivables from credit institutions	Amortised cost	1 025 317	1 590 648
Loans to group companies	Amortised cost	0	0
Total financial assets		**1 025 317**	**1 590 648**
Liabilities			
Total financial liabilities	**Amortised cost**	**0**	**0**

NOK **Group**	Classification	2019 Book value	2018 Book value
Assets			
Cash and balances with Central Banks	Amortised cost	27 813 764	31 526 936
Loans to and receivables from credit institutions	Amortised cost	23 268 414	11 144 614
Total financial assets		**51 082 178**	**42 671 550**
Liabilities			
Deposits from and debt to Clients	Amortised cost	0	326 558
Total financial liabilities		**0**	**326 558**

Note 13 - Intangible assets

NOK Parent 2018	2019		Group 2019	2018
		Intangible assets		
0	0	Cost as at 1 January	12 138 883	7 762 768
0	0	Intragroup acquisitions/disposals	0	0
0	0	Acquisitions/disposals	407 106	4 376 115
0	**0**	**Cost as at 31 December**	**12 545 989**	**12 138 883**
0	0	Total depreciation and impairment as at 1 January	7 762 768	5 612 973
0	0	Depreciation	478 322	2 149 794
0	**0**	**Total depreciation and impairment as at 31 December**	**8 241 090**	**7 762 768**
0	**0**	**Carrying amount as at 31 December**	**4 304 899**	**4 376 115**

Intangible assets concerns IT systems and licenses. The IT systems are amortised on a straight-line basis 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 2018 or 2019.

Note 14 - Property, plant and equipment

NOK			2019			2018
	Office equipment	Right-of-use asset	Total	Office equipment	Right-of-use asset	Total
Cost as at 1 January	60 888	3 226 195	3 287 083	60 888	-	60 888
Intragroup aqusitions/disposals	0	0	0	-	-	-
Aquisitions/disposals	0	0	0	-	-	-
Cost as at 31 December	**60 888**	**3 226 195**	**3 287 083**	**60 888**	**-**	**60 888**
Total depreciation and impairment as at 1 January	40 600	0	40 600	28 420	-	28 420
Depreciation	12 180	631 698	643 878	12 180	-	12 180
Total depreciation and impairment as at 31 December	**52 780**	**631 698**	**684 478**	**40 600**	**-**	**40 600**
Carrying amount as at 31 December	**8 108**	**2 594 497**	**2 602 605**	**20 288**	**-**	**20 288**

Based on cost less any residual value office equipment are depreciated linearly over 5 years. The Right of use asset are depreciated over the lower of remaining lease term at the commencement of the lease or economic life which for the Group's leased assets is 4-5 years. Set out below are the carrying amounts of lease liabilities (included under `Other liabilities' in Note 15) and the moments during the period:

NOK	2019
As at 1 January – effect of adoption of IFRS 16	3 226 195
Additions	-
Accretion of interest	161 310
Payments	-793 008
As at 31 December	**2 594 497**

The Group had total cash outflows for leases of NOK 793 008.
The initial application of IFRS 16 resulted in non-cash additions in right-to-use assets and lease liabilities of NOK 3 226 195 at 1 January 2019.

Note 15 - Other debt and liabilities

NOK	Parent			Group	
	2018	2019	Other debt and recognised liabilities	2019	2018
	2 172	4 349	Creditors	232 096	217 696
	234 864	234 864	Other	3 955 859	1 050 092
	237 036	**239 213**	**Total other debt and recognised liabilities**	**4 187 955**	**1 267 788**
	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**
	237 036	**239 213**	**Total commitments**	**4 187 955**	**1 267 788**

There are no securities pledged at year end 2018 or 2019.

Note 16 - 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 2019	Company number	Reg. office	Stake in percent	Share capital	No of shares	Nominal value
Safe Deposit Bank of Norway AS	999644392	Oslo	100	43 140 000	431 400	100
Total investments in credit institutions				**43 140 000**	**431 400**	**100**

	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
Safe Deposit Bank of Norway AS	56 964 365	3 948 742	-46 415	12 457 956	-12 504 371	120 500 000
Total investments in credit institutions	**56 964 365**	**3 948 742**	**-46 415**	**12 457 956**	**-12 504 371**	**120 500 000**

NOK 2018	Company number	Reg. office	Stake in percent	Share capital	No of shares	Nominal value
Safe Deposit Bank of Norway AS	999644392	Oslo	100	41 000 000	410 000	100
Total investments in credit institutions				**41 000 000**	**410 000**	**100**

	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
Safe Deposit Bank of Norway AS	45 477 304	1 357 310	163 459	11 756 797	-11 593 338	99 100 000
Total investments in credit institutions	**45 477 304**	**1 357 310**	**163 459**	**11 756 797**	**-11 593 338**	**99 100 000**

Significant transactions with group companies and other related parties

NOK	2019	2018
Loan (Safe Deposit Bank of Norway AS)	0	0
Interest income/expense	0	101 251
Intragroup acquisition/disposal of intangible assets	0	0
Sum transactions with group companies	**0**	**101 251**

The Group has paid expenses equivalent to NOK 475 813 in 2019 on account of services executed by the Bank's Board Member, Knut Bergo from Schjødt AS

Note 17 - Share capital

NOK Share capital	Number of shares	Nominal value	Book value
Ordinary shares 1 January 2018	84 667	200	16 933 400
Issue new shares	0		0
Ordinary shares 31 December 2018	84 667	200	16 933 400
Issue new shares	9 333		1 866 600
Ordinary shares 31 December 2019	**94 000**	**200**	**18 800 000**

Largest shareholders	**Solstice**	**Number of shares**	**Ownership in percent**
MORTEN FRODE MELAND	CEO	9 174	9,76 %
JOH JOHANNSON EIENDOM AS		8 458	9,00 %
RUFFEN INVESTOR AS		8 458	9,00 %
SUNDT AS		7 401	7,87 %
UBS SWITZERLAND AG	Board Member [1]	6 224	6,62 %
CLEARSTREAM BANKING S.A.		6 000	6,38 %
J.P. MORGAN BANK LUXEMBOURG S.A.		5 600	5,96 %
CREDIT SUISSE (SWITZERLAND) LTD.		4 785	5,09 %
ZPE INVESTOR AS		4 444	4,73 %
UNION BANCAIRE PRIVEE, UBP SA		4 229	4,50 %
BANQUE INTERNATIONALE À LUXEMBOURG		4 229	4,50 %
BEETLE INVEST AS		3 334	3,55 %
NERGAARD INVESTMENT PARTNERS AS		3 333	3,55 %
HÅKON WÆRSTAD		2 300	2,45 %
HARALD ARNE LOTHE		2 050	2,18 %
NSV INVEST AS		1 667	1,77 %
RINGNES HOLDING AS		1 667	1,77 %
HATHON HOLDING AS		1 554	1,65 %
HAUGANS HUS MARKEDSINVEST AS	Board Member [2]	1 485	1,58 %
BACHELOR AS		1 333	1,42 %
FERMIN AS		1 100	1.17 %
CHRISTIAN ALEXANDER HORNEMAN WIST	Board Member	200	0,21%
HARRY KONTERUD	Board Member	95	0,10%
Others less than 1 %		4 880	5.19 %
Total		**94 000**	**100,0 %**

[1] Board Member Olga Godinho
[2] Board Member Monica Amanda Haugan

Note 18 - Subsequent events

No significant events affecting the Group's accounts have been recorded after the balance sheet date.

The COVID-19 pandemic. There is considerable uncertainty about the consequences of this global health risk and its impact on the world's economies. The Group mobilized its business continuation plans early in order to protect our team and ensure continued operations.

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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 balance sheets as at 31 December 2019, income statements, statements of other 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 2019 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, 25 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Einar Hersvik
State Authorised Public Accountant (Norway)

Einar Hersvik
Statsautorisert revisor
Serienummer: 9578-5992-4-957044
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2020-03-25 22:26:47Z

bank ID