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Safe
Deposit
Bank
of Norway

SDBN

Safe Deposit Bank of Norway AS

Annual Report 2020

Annual Report 2020

Dear Reader,

Over the course of 2020, the Covid health and economic risks have played out in every part of the globe and every facet of life. SDBN responded as most businesses did by adapting its day-to-day practices to protect its employees: all staff began working remotely in March and continue to do so as of this writing. We are happy to report that everyone stayed healthy—as did our business overall. Throughout the health crisis, operations proved resilient. SDBN had not a single meaningful glitch; Clients were able to rely on our consistent, attentive service through volatile and uncertain external times.

While our operating model was validated by the events of 2020, conditions did affect SDBN's pace of new business development. Marketing efforts were slowed by our inability to conduct face to face meetings and by the demands of the pandemic on our prospective Clients. Looking forward however, with our model proved and lockdowns lifting, the signs are positive. By leveraging our network and that of our Advisory Group members, we have made significant inroads into the German market. Our task now is to continue to build scale by further driving understanding and adoption of our offering.

SDBN is not a traditional bank. We offer a single, unique service to institutional, regulated Clients. A specialised banking license restricts the bank to the single function of placing, as agent, EUR and NOK Client deposits, one-to-one, directly with the relevant Central Banks—like a dedicated pipe with a highly controlled valve. SDBN can provide this essential piece of infrastructure precisely and solely because it prohibits itself from performing any other business or function. This restriction allows SDBN to stand apart and insulated from the complex, interconnected system of banking and clearing. SDBN represents a vital safety valve not only for our Clients but also for the financial systems in which we all operate. SDBN contributes to overall systemic stability. There is no other offering in the market that definitively provides clients this combination of three critical elements: safety, liquidity and transparency. Notable new Clients in 2020 included a major continental European Clearing House and one of Europe's largest private Asset Managers.

As we added volumes, operations continued to perform flawlessly: our systems' design, implementation and daily execution proved robust and effective. This makes us confident that beyond the commercial value proposition that we offer our Clients, we continue to deliver consistent, reliable liquidity. The operational excellence is made possible by SDBN's team which has shown exceptional commitment, adaptability, and breadth of execution capability. This lean core team is supported by an industry-leading group of external service providers and an active, diverse Board. It has been the dedication, thoughtfulness, perseverance and enthusiasm of our employees, service providers and Board that made the expansion into Europe possible. Alongside these Stakeholders, we are fortunate to have the engaged support and solid backing of our Shareholders. We trust that together with our Clients, SDBN will establish its place as a differentiated solution to manage and diversify liquid cash balances for the stability of the financial ecosystem in which we all live.

SDBN's operating results for 2020 show a loss of NOK 10.861.151 which is transferred to Other Equity. Future income from operations is expected to cover total start-up costs of NOK 78.335.862 within a few years. The Deferred Tax Asset of NOK 19.566.639 as of 31 December 2020 is not recognised on the balance sheet in line with our conservative approach.

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 that basis. SDBN's own capital is held at the Norwegian Central Bank and an AA-rated commercial bank.

Oslo,
March 25, 2021

Olga Godinho
Chairman of the Board

Knut Bergo
Board Member

Dominique Levy
Board Member

Christian A. Horneman Wist
Board Member

Morten Frode Meland
CEO

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Income Statement

NOK	Notes	2020	2019
Interest income (amortised cost)		183 159	372 326
Interest expenses (amortised cost)		132 097	161 435
Net interest income		**51 062**	**210 890**
Commission income		3 286 890	265 028
Commission expenses[1]		1 500 039	522 334
Net fee and commission income		**1 786 852**	**-257 306**
Total income		**1 837 914**	**-46 415**
Employee Remuneration	9	5 716 422	5 177 386
Other operating expenses	10	6 982 643	7 280 570
Total operating expenses		**12 699 065**	**12 457 956**
Profit before impairment on loans and taxes		**-10 861 151**	**-12 504 371**
Profit before income tax		**-10 861 151**	**-12 504 371**
Income tax	11	0	0
Profit for the period		**-10 861 151**	**-12 504 371**

[1] includes cost of sales and fees for clearing systems, regulators and Bank Guarantee Fund

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Other Comprehensive Income

NOK	2020	2019
Profit for the period	-10 861 151	-12 504 371
Items that will not be reclassified to profit/loss		
Total	0	0
Items that will be reclassified to profit/loss		
Total	0	0
Total comprehensive income	**-10 861 151**	**-12 504 371**

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Balance Sheet

NOK	Notes	31.12.20	31.12.19
ASSETS			
Cash and balances with Central Banks	6,7,12	32 719 961	27 813 764
Loans to and receivables from house bank	6,7,12	19 782 803	22 243 097
Property, plant and equipment	14	1 966 553	2 602 605
Intangible assets	13,16	6 442 210	4 304 899
Other assets		156 561	0
Total assets	**1,2,3,4**	**61 068 087**	**56 964 365**
LIABILITIES AND EQUITY			
Other liabilities	8,15	6 413 614	3 948 742
Total liabilities		**6 413 614**	**3 948 742**
Share capital	17	44 390 000	43 140 000
Share premium		88 600 334	77 350 334
Other equity		-78 335 862	-67 474 711
Total equity		**54 654 472**	**53 015 623**
Total liabilities and equity	**18**	**61 068 087**	**56 964 365**

Oslo, March 25, 2021

Olga Godinho
Chairman of the Board

Knut Bergo
Board Member

Dominique Levy
Board Member

Christian A. Horneman Wist
Board Member

Morten Frode Meland
CEO

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Statement of Changes in Equity

NOK		Issued equity		
	Share capital	Share premium	Other equity	Total equity
Equity as at 1 January 2019	**41 000 000**	**58 090 334**	**-54 970 340**	**44 119 994**
Profit for the period			-12 504 371	-12 504 371
Other comprehensive income				
Total comprehensive income	**0**	**0**	**-12 504 371**	**-12 504 371**
Issue of share capital and premium	2 140 000	19 260 000		21 400 000
Transfer				
Equity as at 31 December 2019	**43 140 000**	**77 350 334**	**-67 474 711**	**53 015 623**
Equity as at 1 January 2020	**43 140 000**	**77 350 334**	**-67 474 711**	**53 015 623**
Profit for the period			-10 861 151	-10 861 151
Other comprehensive income				
Total comprehensive income	**0**	**0**	**-10 861 151**	**-10 861 151**
Issue of share capital and premium	1 250 000	11 250 000		12 500 000
Equity as at 31 December 2020	**44 390 000**	**88 600 334**	**-78 335 862**	**54 654 472**

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Statement of Cash Flows

NOK	Notes	2020	2019
Profit before income tax		-10 861 151	-12 504 371
+ Depreciation and write-downs		1 815 761	1 122 200
Net cash increase from ordinary operations		**-9 045 390**	**-11 382 171**
Decrease/(increase) other receivables		-156 561	0
Increase/(decrease) short term debt		2 464 872	2 917 990
Increase/(decrease) deposits and debt to Clients	8	0	-326 558
A) Net cash flow from operations		**-6 737 078**	**-8 790 739**
Increase in intangible and tangible fixed assets		-3 317 020	-3 633 301
B) Net cash flow from investment		**-3 317 020**	**-3 633 301**
Increase/(decrease) in equity - Issue of share capital and premium		12 500 000	21 400 000
C) Net cash flow from financial activities		**12 500 000**	**21 400 000**
A) + B) + C) Net changes in cash and cash equivalents		**2 445 902**	**8 975 960**
Cash and cash equivalents at 01.01		50 056 862	41 080 902
Cash and cash equivalents at 31.12	6,7,12	52 502 763	50 056 862
Net changes in cash and cash equivalents		**2 445 902**	**8 975 960**

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Note 1 – General information

Description of the business

The head office is at Haakon VII's gate no. 1 in Oslo. Safe Deposit Bank of Norway AS ("SDBN") is wholly owned by Safe Deposit Holding ASA ("SDH"). Consolidated financial statements are available at the Bank's headquarters in Oslo.

The financial statements for both the Bank and consolidated Group for 2020 were approved by the respective Boards of Directors on 25 March 2021.

Banking license

SDBN's banking license is granted by the Financial Supervisory Authority of Norway and the Norwegian Ministry of Finance. SDBN provides the following services under the license:

(i) Acceptance of deposits and other repayable funds

(ii) Lending where 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 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, all EU directives and regulations ("EU acts") are relevant to the EEA Agreement. The Norwegian legislative and executive branches have 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

Client funds are fully segregated and not regarded as the property of SDBN, nor are they a source of funding for the Bank. SDBN's internal account registry with respect to SDBN's accounts in Central Banks, together with Client deposit agreements, establish this fact. Under Norwegian law, SDBN'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 SDBN.

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, SDBN'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 annual accounts

The accounts for 2020 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 2020.

Presentation currency

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

Financial instruments

Financial assets and liabilities are recognised in the balance sheet at the date the Bank becomes a party to the contractual provisions of the financial instruments. A financial asset is derecognised 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 Bank 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 derecognised if the arrangements meets the criteria for being a "pass-through" arrangement. A financial liability is derecognised when it is extinguished, i.e. when the financial liability is discharged, cancelled or expired.

Classification and measurement

All working capital financial assets of the Bank 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 Bank are measured at amortised cost.

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 stage1 is measured as the 12-month expected 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 Bank are with Central Banks or investment grade counterparties. As all financial assets are considered to be low credit risk (investment grade) at the reporting date, the Bank has concluded that credit risk has not increased significantly since initial recognition. Based on an assessment, the Bank has concluded that the estimated 12-months expected credit loss is clearly immaterial.

Note 2 – continued

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 an 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.

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 carry forward. The Bank's deferred tax asset is not recognised in the balance sheet.

Leases

The Bank 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 Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Note 2 – continued

Right-of-use assets

The Bank 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 Bank 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 Bank 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.

Deposits from Clients

The Bank places Client's deposits with Central Banks. The Bank does not have any right to use these deposits in its own operations, nor does it have access to the economic benefits of ownership of these deposits. Based on this, the Bank does not recognise the Client's deposits in Central Banks as assets, as they do not meet the definition of assets of the Bank. All cash flows related to the deposits are contractually required to be transferred immediately and directly to the owner 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 fulfil 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 Bank does not provide a future pension of a given size; instead the Bank 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 Bank 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.

Note 2 – continued

Dividends

Dividends are recognised as equity capital until approved by the 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 principle

In the preparation of the Bank 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 Bank's Risk Management Strategy provides effective risk management processes that are appropriate to its size and risks, as stipulated by the applicable Directive and Regulations.

The Group's full annual Pillar 3 report is available on the Bank's website.

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

The Bank operates at a low level of aggregate risk and is committed to effective risk management. The Bank'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 partners. 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 Bank has zero tolerance for operational errors and has designed business processes and internal controls to minimise these risks.

Credit risk

The Bank has no credit or 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. SDBN's credit and counterparty risks are therefore only relevant to the Bank's own operational deposits held at the house bank (Handelsbanken). SDBN's credit risk is therefore limited to the funds held with this counterparty.

Business and strategic risks

The Bank is exposed to the normal execution and strategic risks inherent in building and achieving institutional Client traction/adoption for a new liquidity management solution in the EUR market. In terms of exposure to systemic banking risk, SDBN's business and operations are insulated from risk bearing banking activity.

Other risk categories

The Bank is exposed to liquidity and financing risks. Risk exposure and risk tolerance is low as the Bank'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 Bank does not have enough liquidity to fulfil its obligations with regards to operating expenses. SDH Group and SDBN have adequate capital for 2021 and beyond.

The Bank is exposed to market risk in the form of interest rate risk on its own deposits as well as limited 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 adequancy

As of 31 December 2020 the capital conservation buffer requirement is 2.5 percent, the systemic risk requirement is 3 percent and countercyclical buffer has differentiated rates with 1.0 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 11.0 percent.

The Bank's Common Equity Tier 1 capital at year end was NOK 48 212 263,- and risk weighted assets were NOK 7 940 831,-, reflecting a CET1 capital ratio of 607.14 %.

Note 6 – Central Banks and house bank – loans and receivables

NOK	Loans and advances to Central Banks and house bank	
	2020	2019
Cash and balances with Central Banks	32 719 961	27 813 764
Loans and receivables from house bank without agreed maturity or notice of withdrawal, AA rating	19 782 803	22 243 097
Total	**52 502 763**	**50 056 861**

Loans and advances to house bank 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 European Central Banks, loans and claims on other Norwegian banks are considered as lowest risk assets.

NOK	Neither defaulted nor written down		
2020	Lowest risk	Defaulted or written down	Total
Cash and balances with Central Banks	32 719 961	-	32 719 961
Loans to and receivables from house bank	19 782 803	-	19 782 803
Total	**52 502 763**	**0**	**52 502 763**

NOK	Neither defaulted nor written down		
2019	Lowest risk	Defaulted or written down	Total
Cash and balances with Central Banks	27 813 764	-	27 813 764
Loans to and receivables from house bank	22 243 097	-	22 243 097
Total	**50 056 861**	**0**	**50 056 861**

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

At 31 December 2020	On demand	Below 3 months	3-12 months	1-5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Other commitments	6 413 614					6 413 614
Total cash flow liabilities	**6 413 614**	**0**	**0**	**0**	**0**	**6 413 614**

NOK

At 31 December 2019	On demand	Below 3 months	3-12 months	1-5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Other commitments	3 948 742					3 948 742
Total cash flow liabilities	**3 948 742**	**0**	**0**	**0**	**0**	**3 948 742**

Note 9 - Employee remuneration

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	2020	2019
Wages	4 152 834	3 701 263
Accrued wages	611 355	522 450
Pension costs	163 736	128 084
Employer's contribution	756 730	832 207
Social costs	31 768	-6 618
Total personnel	**5 716 422**	**5 177 386**

SDBN had 5 employees as of 31 December 2020 (5 employees as of 31 December 2019), which implies FTE of 4,8 (FTE of 4,6 as 31 December 2019)

CEO	2020	2019
Morten Meland	1 552 470	1 619 784

Compensation to Board Members	2020	2019
Olga Godinho	500 000	300 000
Christian A. Horneman Wist	100 000	100 000
Knut Bergo	100 000	75 000
Gudrun Bugge Andvord[1]	0	25 000
Dominique Levy[2]	0	0

No additional bonus or variable remunerations were paid to Board Members or management in connection with their executive or non-executive duties. 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 2020 is in accordance with the SDBN Remuneration Policy.

[1] No longer a Board Member of SDBN
[2] New Board Member as of mid-2020

Note 10 – Other operating expenses

NOK	2020	2019
Ordinary depreciation	1 815 761	1 122 200
Operating expenses, real properties	179 232	201 052
Purchased services	1 600 322	2 505 532
Other operating expenses	3 387 327	3 451 785
Other operating expenses	**6 982 643**	**7 280 570**

Audit fees		
Statutory audit services	146 574	123 131
Other attestation services	175 144	114 025
Tax-related services	74 265	76 375
Other non-audit services	93 835	251 263
Total incl value added tax	**489 816**	**564 794**

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	2020	2019
Profit before tax	-10 861 151	-12 504 371
+/- permanent differences	21 757	2 632
+/- change in temporary differences as per specification	4 616	7 816
Income subject to tax	**-10 834 777**	**-12 493 924**
Payable tax	**0**	**0**
Net change in deferred tax	**0**	**0**
Income tax	**0**	**0**

NOK	Deferred tax asset	
Composition of deferred tax recognised in the income statement	2020	2019
Temporary differences:		
Property, plant and equipment	-13 966	-9 350
Total tax-increasing temporary differences	**-13 966**	**-9 350**
Deferred tax	**-3 492**	**-2 338**
Temporary differences:		
Deficit carried forward	-78 266 556	-67 431 779
Total tax-decreasing temporary differences	**-78 266 556**	**-67 431 779**
Deferred tax asset	**-19 566 639**	**-16 857 945**
Net	**-19 570 131**	**-16 860 282**

The above table comprises temporary differences shown gross. At the Company level tax-increasing and tax-reducing temporary differences are shown net.

Deferred tax asset is not recognised in the balance sheet at year end 2019 or 2020.

Note 12 – Financial instruments

Fair value of financial instruments at amortised cost

Amortised cost entails valuing items in the 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 to short-term nature and low credit risk.

NOK	Classification	2020 Book value	2019 Book value
Assets			
Cash and balances with central banks	Amortised cost	32 719 961	27 813 764
Loans to and receivables from house bank	Amortised cost	19 782 803	22 243 097
Total financial assets		**52 502 763**	**50 056 861**
Liabilities			
Total financial liabilities		**0**	**0**

Note 13 – Intangible assets

NOK	2020	2019
Intangible assets		
Cost as at 1 January	12 545 989	12 138 883
Acquisitions/disposals	3 269 541	407 106
Cost as at 31 December	**15 815 530**	**12 545 989**
Accumulated depreciation as at 1 January	8 241 090	7 762 768
Depreciation	1 132 230	478 322
Total depreciation as at 31 December	**9 373 320**	**8 241 090**
Carrying amount as at 31 December	**6 442 209**	**4 304 899**

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 have been made in 2019 or 2020.

Note 14 - Property, plant and equipment

NOK			2020			2019
	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	3 226 195	3 287 083
Aquisitions/disposals	0	47 479	47 479	-	-	-
Cost as at 31 December	**60 888**	**3 273 674**	**3 334 562**	**60 888**	**3 226 195**	**3 287 083**
Accumulated depreciation as at 1 January	52 780	631 698	684 478	40 600	-	40 600
Depreciation	8 108	675 423	683 531	12 180	631 698	643 878
Total depreciation as at 31 December	**60 888**	**1 307 121**	**1 368 009**	**52 780**	**631 698**	**684 478**
Carrying amount as at 31 December	**0**	**1 966 553**	**1 966 553**	**8 108**	**2 594 497**	**2 602 605**

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 Bank's leased assets is 3-4 years. Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 15) and the movements during the period:

NOK	2020	2019
As at 1 January	**2 594 497**	**3 226 195**
Additions	47 479	0
Accretion of interest	132 097	161 310
Payments	-807 520	-793 008
As at 31 December	**1 966 553**	**2 594 497**

The Bank had total cash outflows for leases of NOK 807 520 in 2020.
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 Other debt and recognised liabilities	2020	2019
Creditors	963 260	227 747
Other	5 450 354	3 720 995
Total other debt and recognised liabilities	**6 413 614**	**3 948 742**
Total commitments	**6 413 614**	**3 948 742**

There are no securities pledged at year end 2019 or 2020.

Note 16 – Transactions with related parties

In 2020 Safe Deposit Bank of Norway AS has purchased services from entities related to Board members of Safe Deposit Bank of Norway AS or Safe Deposit Holding ASA amounting to NOK 722 675.

At the balance sheet date the amount owed related to the purchased services is 391 545. These transactions are made on terms equivalent with market practice for similar transactions with non-related parties.

Note 17 – Share capital

NOK Share capital	Numbers	Nominal value	Book value
Ordinary shares 1 January 2019	410 000	100	41 000 000
Issue new shares	21 400	100	2 140 000
Ordinary shares 31 December 2019	431 400	100	43 140 000
Issue new shares	12 500	100	1 250 000
Ordinary shares 31 December 2020	**443 900**	**100**	**44 390 000**

Shareholders	**Numbers**	**Value**	**Ownership in percent**
Safe Deposit Holding ASA	443 900	44 390 000	100 %

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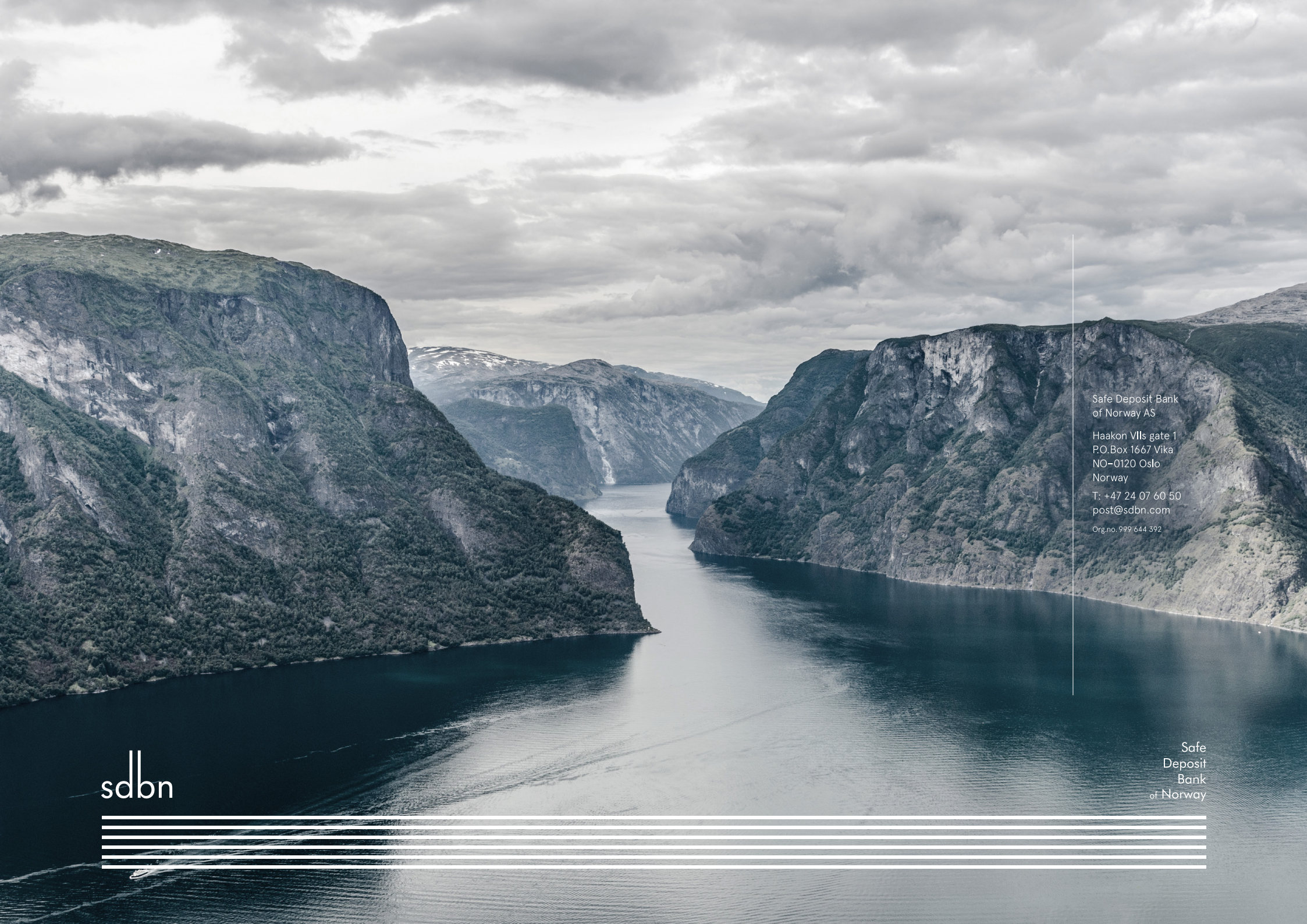
Note 18 – Subsequent events

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



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Safe Deposit Bank of Norway AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Safe Deposit Bank of Norway AS, which comprise the balance sheet as at 31 December 2020, 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 as at 31 December 2020 and its 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 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.

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, 26 March 2021
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The auditor's report is signed electronically

Johan-Herman Stene
State Authorized Public Accountant (Norway)