

Pillar 3

2021

Safe Deposit Bank of Norway AS
& Safe Deposit Holding ASA

(Consolidated)



Table of Contents

Glossary.....	3	5 – Diversity	14
Note to readers	3	6 – Remuneration Policy	14
1 – Introduction	4	7 – Appendix.....	15
2 – Corporate governance and decision-making	5	7.1 A03 - Disclosure of main features of regulatory capital instruments as at 31 Dec. 2021	15
3 – Risk Management	6	7.2 Summary comparison of accounting assets vs leverage ratio exposure.....	17
3.1 Risk Control functions	6	7.3 CCyB1 - Geographical distribution of credit exposures used in the countercyclical capital buffer	17
4 – Capital Adequacy	7	7.4 MR1 - Market risk under the standardised approach.....	18
4.1 Own Funds	7	7.5 CR1-A - Credit quality of exposures by exposure class and instrument.....	19
4.1.1 Risk-Weighted Assets.....	8	7.6 CR1-B - Credit quality of exposures by industry or counterparty types	20
4.2 Pillar 1 - capital requirements.....	9	7.7 CR1-C - Credit quality of exposures by geography	20
4.3 Pillar 2 - internal own funds capital adequacy valuation	9	7.8 AE - Asset Encumbrance.....	21
4.4 Leverage ratio.....	10		
4.5 LCR.....	10		
4.6 Risks	11		
4.6.1 Credit risk	11		
4.6.2 Market risk.....	11		
4.6.3 Operational risk.....	11		
4.6.4 Strategic risks.....	13		

Glossary

The Bank: Safe Deposit Bank of Norway AS ("SDBN")

The Company: Safe Deposit Holding ASA ("SDH")

The Group: Safe Deposit Bank of Norway AS + Safe Deposit Holding ASA

BoD: Board of Directors

CRR: Capital Requirement Regulation

CRD: Capital Requirement Directive

CET 1: Common Equity Tier 1

Own Funds: Tier 1 + Tier 2

RWA: Risk-Weighted Assets

House Bank: External bank used for the Group's operational funds

ICAAP: Internal Capital Adequacy Assessment Process

ILAAP: Internal Liquidity Adequacy Assessment Process

LCR: Liquidity Coverage Ratio

ICT: Information and Communication Technology

Note to readers

The Group consists of Safe Deposit Holding ASA ("SDH" or "Company") and its wholly owned subsidiary, Safe Deposit Bank of Norway AS ("SDBN" or "the Bank").

SDBN is a financial infrastructure firm, not a traditional bank. It offers a single, unique service to institutional, regulated Clients. Its specialised banking license restricts it to the single function of placing, as agent, EUR Client deposits, one-to-one, directly with the German Central Bank (Deutsche Bundesbank). SDBN does not hold deposits on its balance sheet or use deposits as a funding source. SDBN makes no loans or financial investments.

This report provides Pillar 3 disclosures at the consolidated level of Safe Deposit Holding ASA (the Group) as required by the regulatory framework for capital and liquidity, established by the Basel Committee on Banking Supervision, also known as Basel 3.

All figures published in this report refer to Group consolidated figures. The scope of consolidation used for the calculation of capital adequacy is identical to the one applied for accounting purposes. Therefore, the balance sheet according to the regulatory scope of consolidation is identical to the IFRS balance sheet.

The disclosure requirements as provided in Part Eight of the "Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation or "CRR") and the "Directive (EU) 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive or "CRD"), set the regulatory prudential framework applicable to credit institutions following the recommendations of the Basel Committee on Banking Supervision. Norway implemented the CRR and CRD disclosure requirements into national law in Section XI of the CRR/CRD IV-forskriften.

Throughout this report, references are made to the annual report, which is available on the SDBN website (www.sdbn.com) and filed with the Registrar of Companies in Norway.

sdbn

Safe
Deposit
Bank
of Norway

1 – Introduction

The goal of the Pillar III report 2021 is to provide a clear view of the way the risks faced by the Bank are processed internally, and to draw a fair picture of the risks to which the Bank is exposed by providing figures related to those risks from a prudential point of view under the regulatory framework established by CRD IV.

The report is organised as follows:

- Section 2 presents the structure of the Bank, its decision-making structure and corporate governance;
- Section 3 describes the risk management of the Bank at each of the levels of control;
- Section 4 describes regulatory capital adequacy and its related risks;
- Section 5 outlines the diversity of the Group;
- Section 6 presents the remuneration policy of the Group.

The Group conducts Internal Capital Adequacy Assessment Process (“ICAAP”) and Internal Liquidity Adequacy Assessment Process (“ILAAP”) analysis on an annual basis to assess the Group’s risk, capital adequacy and capital targets.

The information presented is based on consolidated financial figures from 31.12.2021 and is updated on an annual basis.

Oslo, March 24, 2022

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

sdbn

Safe
Deposit
Bank
of Norway

4 – Capital Adequacy

This section provides an overview of the capital requirements under Basel 3. All numbers, line-ups, and referrals relate to 31.12.2021 unless otherwise stated.

The Group complies with all supervisory capital requirements of the CRR. These requirements are related to credit risk, market risk and operational risk, which are factored in our risk-weighted assets calculations. The Group calculates the required capital for credit risk using the standardised approach. For operational risk, the basic approach is applied. The Group's market risk comprises normally a small exposure to foreign exchange (currency) which is factored in using standardised approach. It has no exposure to interest rate, equity, commodity or derivative product risks. The Group did not have exposure to market risk in 2021.

4.1 Own Funds

The Group's equity capital consists of ordinary shares - on 31 Dec 2021, the share capital of the SDH consists of 100 800 ordinary shares. No other class of shares have been issued. The table below provides a calculation of the CET1, Tier 1, Tier 2, and Own Funds ratios.

Amounts in TNOK	31.12.2021	31.12.2020
Capital instruments qualifying as core Tier 1 capital	142 827	137 967
Retained earnings carry over	-97 003	-83 278
Total equity	45 825	54 689
Effect from regulatory consolidation		
Additional Tier 1 capital instruments included in total equity		
Net accrued interest on additional Tier 1 capital instruments		
Common equity Tier 1 capital instruments	45 825	54 689
Deductions		
Other intangible assets	-5 808	-6 442
Common equity Tier 1 capital	40 017	48 247
Tier 1 capital	40 017	48 247
Tier 2 capital		
Total eligible capital (own funds)	40 017	48 247
RWA, transitional rules (section 4.1.1)	11 225	8 250
Minimum capital requirement, transitional rules	898	660
Common equity Tier 1 capital ratio, transitional rules (%)	357 %	585 %
Tier 1 capital ratio, transitional rules (%)	357 %	585 %
Capital ratio, transitional rules (%)	357 %	585 %

At the end of year 2021, the CET 1, Tier 1 and Overall Capital (own funds) Ratio stands at 356,50 % (584,80 % in 2020) for the Group.

4 – Capital Adequacy continued

4.1.1 Risk-Weighted Assets

The Group's calculation of the Risk-Weighted Assets is illustrated below:

Amounts in TNOK	Nominal exposure 31.12.2021	Average risk weights in per cent 31.12.2021	Risk-weighted assets 31.12.2021	Capital require- ments 31.12.2021
Standardised approach				
Central Bank	516	0,0 %		
Sovereign bonds	10 000	0,0 %		
House Bank	34 382	20,0 %	6 876	550
Other bonds	5 000	20,0 %	1 000	80
Other assets / exposures	1 376	100,0 %	1 376	110
Total credit risk, standardised approach	51 274	18,0 %	9 252	740
Total credit risk	51 274	18,0 %	9 252	740
Other risks				
Currency risk (market risk)			0	0
Operational risk (basic approach)			1 973	158
Total other risks			1 973	158
Requirements before transitional rules			11 225	898
Additional capital requirements according to transitional rules			0	0
Total risk-weighted assets and capital requirements			11 225	898

The Group had per 31st of December 2021 TNOK 11 225 in Risk-Weighted Assets, derived from credit risk and operational risk.

4 – Capital Adequacy continued

4.2 Pillar 1 – capital requirements

As of 31st December 2021, the capital conservation buffer requirement is 2,5 percent, the systemic risk requirement is 3,0 percent and countercyclical buffer is 1,0 percent. 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. Due to the COVID-19 virus, the countercyclical buffer has been reduced from 2,5 % to 1 % as of March 2020. The Group considers this as temporary and has therefore conservatively not factored this into these calculations.

31.12.2021	%	Group (TNOK)
Minimum requirement	4,5	505
Capital conservation buffer	2,5	281
Systemic risk buffer	3,0	337
Countercyclical buffer	2,5	281
Capital Requirement CET 1	12,5	1 403
Hybrid capital	1,5	168
Capital Requirement Tier 1	14,0	1 571
Additional capital requirements	2,0	225
Total Capital Requirement	16,0	1 796

The Group's Common Equity Tier 1 capital at 31st December 2021 was TNOK 40 017 and the basis for calculation of the capital requirements was TNOK 11 225, which gives a CET1 capital ratio of 356,50 % on a consolidated basis.

4.3 Pillar 2 – internal own funds capital adequacy valuation

In order to assess its internal capital adequacy, the Group relies on the ICAAP analysis which shows that the Group has Own Funds (Tier 1 and Tier 2 capital) of 40,0 MNOK, which is above the ICAAP capital target (2,6 MNOK) and above the legal minimum requirement. SDBN has Own Funds (Tier 1 and Tier 2 capital) of 48,2 MNOK, which is above the ICAAP capital target (2,5 MNOK) and above the legal minimum requirement.

31.12.2021	%	Required amount Group (TNOK)	Required amount SDBN (TNOK)
Total capital requirement Pillar 1	16	1 796	1 745
Pillar 2 Operational risk	4,8/5,0	540	540
Pillar 2 Market risk	2,7/2,4	300	263
Sum Pillar 1 +2	23,5 / 23,4	2 636	2 547

31.12.2021	Group
Risk-Weighted Assets	TNOK 11 225
Capital requirement	23,5 %
Actual capital ratio	356,50 %

sdbn

Safe
Deposit
Bank
of Norway

4 – Capital Adequacy continued

4.4 Leverage ratio

In addition to the requirement for the Group to hold eligible capital proportionate to its risk-weighted assets, the leverage ratio is a non-risk-based metric, defined as the ratio between eligible tier 1 capital and the total leverage exposure. The Group's leverage ratio was 78,05 % per 31st December 2021 (87,84 % in 2020).

Amounts in TNOK		31.12.2021
On-balance sheet exposures		
1	On-balance sheet exposures	57 081
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-5 808
3	Total on-balance sheet exposures	51 273
Capital and total exposures		
20	Tier 1 capital	40 017
21	Total exposures	51 273
Leverage ratio		
22	Basel III leverage ratio	78,05 %

For the calculation of the leverage ratio exposure, please refer to the Appendix.

4.5 LCR

The LCR refers to the proportion of highly liquid assets held by the Group, to ensure its ongoing ability to meet short-term obligations. The Group's regulatory LCR requirement is 100 %. The Group had per 31.12.2021 an LCR of 1861 %, which exceeds the minimum requirement.

31.12.2021 (TNOK)	The Group
Liquidity buffer	14 516
Net cash outflows	780
LCR (%)	1861 %

The Bank's Client deposits are not a source of funding for the Group and are therefore not included in the LCR-calculation.

7 – Appendix

7.1 A03 – Disclosure of main features of regulatory capital instruments as at 31 Dec. 2021

	Ordinary shares
1. Issuer	Safe Deposit Holding ASA
2. Unique identifier (e.g. CUSIP, ISIN, or Bloomberg identifier for private placement)	NO0010674351
3. Governing law for the instrument	Norway
Regulatory treatment:	
4. Transitional rules	Common Equity Tier 1
5. Post-transitional rules	Common Equity Tier 1
6. Eligible at ind. company/group/group & ind. company level	Ind. company and group
7. Instrument type	Common shares
8. Amount recognised in regulatory capital (in NOK as at 31 December 2021)	144 590 334
9. Par value of instrument (amounts in the relevant currency and in NOK)	N/A
9a. Issue price	Various
9b. Redemption price	N/A
10. Accounting classification	Shareholder's equity
11. Original date of issuance	N/A
12. Perpetual or dated	N/A
13. Original maturity date	N/A
14. Issuer call subject to prior supervisory approval	No
15. Optional call date, contingent call dates and redemption amount	N/A
16. Subsequent call dates, if applicable	N/A

7 – Appendix continued

	Ordinary shares
Coupons/dividends:	
17. Fixed or floating dividend/coupon	Floating
18. Coupon rate and any related index	N/A
19. Existence of a dividend stopper	Yes
20a. Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b. Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21. Existence of a step-up or other incentive to redeem	N/A
22. Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible:	
23. Convertible or non-convertible 4)	N/A
24. If convertible, conversion trigger(s)	N/A
25. If convertible, fully or partially	N/A
26. If convertible, conversion rate	N/A
27. If convertible, mandatory or optional conversion	N/A
28. If convertible, specify instrument type convertible into	N/A
29. If convertible, specify issuer of instrument it converts into	N/A
30. Write-down features	No
31. If write-down, write-down trigger (s)	N/A
32. If write-down, full or partial	N/A
33. If write-down, permanent or temporary	N/A
34. If temporary write-down, description of revaluation mechanism	N/A
35. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	No
36. Non-compliant transitioned features	No
37. If yes, specify non-compliant features	N/A

7 – Appendix continued

7.2 Summary comparison of accounting assets vs leverage ratio exposure

Amounts in TNOK		31 December 2021
1	Total consolidated assets as per published financial statements	57 081
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	
7	Other adjustments	-5 808
8	Leverage ratio exposure measure	51 274

7.3 CCyB1 – Geographical distribution of credit exposures used in the countercyclical capital buffer

31.12.2021 TNOK	Geographical breakdown	Countercyclical capital buffer rate	Exposure values	Risk-weighted assets	Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
The Group	Norway	1 %	1 376	1 376	0 %	14

The countercyclical buffer in Norway was 1 per cent at year-end. The requirement for the Group is the weighted average of the buffer rates for the countries where the Group has credit exposures. The Group's effective countercyclical buffer rate at year-end 2021 was 1 per cent.

7 – Appendix continued

7.4 MR1 - Market risk under the standardised approach

31.12.2021 Amounts in TNOK		a	b
		RWAs	Capital requirements
Outright products			
1	Interest rate risk (general and specific)		
2	Equity risk (general and specific)		
3	Foreign exchange risk	0	0
4	Commodity risk		
Options			
5	Simplified approach		
6	Delta-plus method		
7	Scenario approach		
8	Securitisation (specific risk)		
9	Total	0	0

The Group did not have market risk exposure per year-end 2021. The Group had a market risk exposure equal to MNOK 1,6 per December 2020.

7 – Appendix continued

7.5 CR1-A - Credit quality of exposures by exposure class and instrument

	Gross carrying values of					f Credit risk adjustment charges of the period	Net values g (a+b-c-d-e)
	a Defaulted exposures	b Non-defaulted exposures	c Specific credit risk adjustment	d General credit risk adjustment	e Accumulated write-offs		
31.12.2021							
Amounts in TNOK							
Central Bank		516		-			516
Sovereign bonds		10 000					10 000
House Bank		34 382					20 018
Other bonds		5 000					5 000
Other exposures		1 376					1 376
Total standardised approach	-	51 274	-	-	-	-	51 274
Total	-	51 274	-	-	-	-	51 274
Of which: Loans		-					-
Of which: Debt securities		-					-
Of which: Off-balance-sheet exposures		-					-

7 – Appendix continued

7.6 CR1-B - Credit quality of exposures by industry or counterparty types

	Gross carrying values of					Credit risk adjustment charges	Net values g (a+b-c-d-e)
	a	b	c	d	f		
31.12.2021 Amounts in TNOK	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs		
Bank, insurance and portfolio management		49 898					49 898
Other		1 376					1 376
Total	-	51 274	-	-	-	-	51 274

7.7 CR1-C - Credit quality of exposures by geography

	Gross carrying values of					Credit risk adjustment charges	Net values g (a+b-c-d-e)
	a	b	c	d	e		
31.12.2021 Amounts in TNOK	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs		
Norway		50 758					50 758
Germany		516					516
Total		51 274	-	-	-	-	51 274

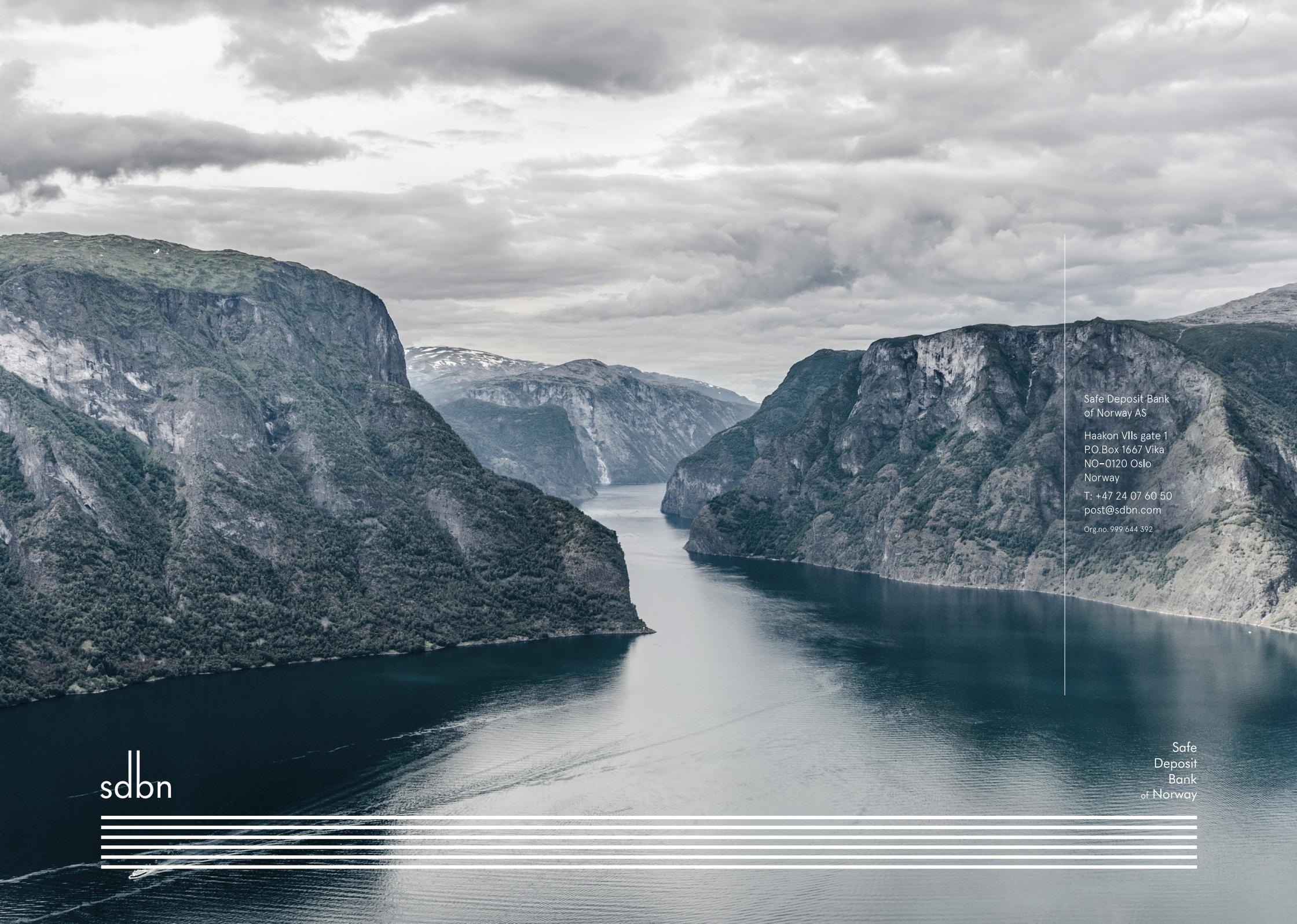
sdbn

Safe
Deposit
Bank
of Norway

7 – Appendix continued

7.8 AE – Asset Encumbrance

31.12.2021	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA	
Amounts in TNOK	010	030	040	050	060	080	090	100
010 Assets of the reporting institution					57 081			
020 Loans on demand					49 898			
030 Equity instruments								
040 Debt securities								
050 of which: covered bonds								
060 of which: asset-backed securities								
070 of which: issued by general governments								
080 of which: issued by financial corporations								
090 of which: issued by non-financial corporations								
120 Other assets					7 183			
121 of which: Loans								



sdbn

Safe Deposit Bank
of Norway AS

Haakon VII's gate 1
P.O.Box 1667 Vikta
NO-0120 Oslo
Norway

T: +47 24 07 60 50
post@sdbn.com

Org.no. 999 644 392

Safe
Deposit
Bank
of Norway