Annual Report 2016

Safe Deposit Holding ASA

sdbn

Safe
Deposit
Bank
of Norway

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

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

SDH's net result for 2016 shows a net loss of NOK 1.007.302, which is transferred to other equity. The 2016 net result for the group shows a loss of 17.639.746. Commensurate with our conservative approach, the Deferred Tax Asset of NOK 1.964.928 (SDH) and NOK 9.382.858 (Group) as of 31 December 2016 is not recognized in the balance sheet. The 2016 operational results are reflecting the operating and salary costs incurred in the start-up phase until we opened our first Client accounts end of 2016. Future income from operations is expected to cover the aggregated start-up costs brought forward and investments within a few years. SDH and SDBN has solid equity, which will cover several years' operational costs.

The liquidity in the Group is held as cash deposits at Norges Bank, the Norwegian Central Bank, and the remainder at an AA-rated commercial bank (also our main House bank).

The Board is of the opinion that the prerequisites for the going concern assumption exist, and the Board confirms that the financial statements were prepared on the basis of the going concern assumption.

PERSONNEL AND ENVIRONMENT

The Group continues to build its core team for business operations ending 2016 with four employees. SDH only has one employee, the CEO, who is also the CEO of SDBN. In the Group there are 4 employees as of December 31, 2016, one man and three women. The work environment is good. Our small size means that the bank expects exceptional commitment, adaptation and breadth of execution skills from our growing core team, as well as very active and frequent input from individual Members of our Board.

The SDH and Group operations do not cause any external environment issues.

Oslo,
March 22, 2017

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			Notes	Group	
	2015	2016			2016	2015
	24 635	4 659	Interest income		354 825	203 999
	0	346	Interest expenses		346	0
	24 635	**4 313**	**Net interest income**		**354 479**	**203 999**
	0	0	Commission income		3 187	0
	0	0	Commission expenses		330 361	10 637
	0	**0**	**Net fee and commission income**		**-327 174**	**-10 637**
	0	**0**	**Change in value of financial investments**		**0**	**0**
	24 635	**4 313**	**Total income**		**27 305**	**193 362**
	0	475 848	Employee remuneration	9	7 205 814	3 148 340
	1 226 909	535 767	Other operating expenses	10	10 461 237	4 953 656
	1 226 909	**1 011 615**	**Total operating expenses**		**17 667 051**	**8 101 996**
	-1 202 274	**-1 007 302**	**Profit before impairment on loans and taxes**		**-17 639 746**	**-7 908 634**
	-1 202 274	**-1 007 302**	**Profit before income tax**		**-17 639 746**	**-7 908 634**
	0	0	Income tax	11	0	0
	-1 202 274	**-1 007 302**	**Profit for the year**		**-17 639 746**	**-7 908 634**

Other Comprehensive Income

NOK	Parent			Group	
	2015	2016	Notes	2016	2015
	-1 202 274	-1 007 302	Profit for the year	-17 639 746	-7 908 634
			Items that will not be reclassified to profit/loss		
	0	0	Total	0	0
			Items that will be reclassified to profit/loss		
	0	0	Total	0	0
	-1 202 274	**-1 007 302**	**Total comprehensive income**	**-17 639 746**	-7 908 634

Statement of Financial Position

NOK Parent 31.12.15	31.12.16		Notes	Group 31.12.16	31.12.15
		ASSETS			
0	0	Cash and balances with central banks	6,7,12	277 415 397	59 043 635
5 102 791	4 345 120	Loans to and receivables from credit institutions	6,7,12	10 787 080	29 302 175
7 611 442	7 516 213	Loans to and receivabels from group company	7,12,15	0	0
90 100 000	90 100 000	Investment in group company	12,15	0	0
0	0	Property, plant and equipment		44 648	56 828
0	0	Intangible assets	13	4 299 588	6 881 250
0	55 202	Other assets		55 202	1 310
102 814 233	**102 016 535**	**Total assets**	**1,2,3,4**	**292 601 914**	**95 285 198**
		LIABILITIES AND EQUITY			
0	0	Deposits from and debt to Clients	8	220 153 633	0
5 353	214 958	Other liabilities	8,14	1 578 712	6 775 882
5 353	**214 958**	**Total liabilities**		**221 732 345**	**6 775 882**
16 933 400	16 933 400	Share capital	16	16 933 400	16 933 400
87 077 754	87 077 753	Share premium		87 068 087	87 077 754
0	0	Other paid-in capital		0	-9 666
-1 202 274	-2 209 576	Other equity		-33 131 918	-15 492 172
102 808 880	**101 801 577**	**Total equity**		**70 869 569**	**88 509 316**
102 814 233	**102 016 535**	**Total liabilities and equity**	**17**	**292 601 914**	**95 285 198**

Oslo, March 22, 2017

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*

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 2015	**3 600 000**	**5 421 343**			**9 021 343**
Profit for the year		0		-1 202 274	-1 202 274
Total comprehensive income	0	0	0	-1 202 274	-1 202 274
Issue of share capital and premium	13 333 400	81 656 411			94 989 811
Equity as at 31 December 2015	**16 933 400**	**87 077 754**	**0**	**-1 202 274**	**102 808 880**
Equity as at 1 January 2016	**16 933 400**	**87 077 754**		**-1 202 274**	**102 808 880**
Profit for the year				-1 007 302	-1 007 302
Total comprehensive income	0	0	0	-1 007 302	-1 007 302
Issue of share capital and premium	0	0			0
Equity as at 31 December 2016	**16 933 400**	**87 077 754**	**0**	**-2 209 576**	**101 801 578**

Statement of Changes in Equity

NOK Group	Share capital	Issued equity Share premium	Other paid in capital	Other equity	Total equity
Equity as at 1 January 2015	**3 600 000**	**5 421 343**	**-9 666**	**-7 583 538**	**1 428 139**
Profit for the year	0	0		-7 908 634	-7 908 634
Total comprehensive income	**0**	**0**	**0**	**-7 908 634**	**-7 908 634**
Issue of share capital and premium [1]	13 333 400	81 656 411			94 989 811
Equity as at 31 December 2015	**16 933 400**	**87 077 754**	**-9 666**	**-15 492 172**	**88 509 316**
Equity as at 1 January 2016	**16 933 400**	**87 077 754**	**-9 666**	**-15 492 172**	**88 509 316**
Profit for the year				-17 639 747	-17 639 747
Total comprehensive income	0	0	0	-17 639 747	-17 639 747
Transfer	0	-9 666	9 666		0
Equity as at 31 December 2016	**16 933 400**	**87 068 088**	**0**	**-33 131 919**	**70 869 569**

1 Transaction costs of NOK 5 010 690 are accounted for as a reduction in equity

Statement of Cash Flows

NOK Parent 2015	2016		Notes	Group 2016	2015
-1 202 274	-1 007 302	Profit before income tax		-17 639 747	-7 908 634
0	0	+ Depreciation and write-downs		3 475 359	4 060
-1 202 274	**-1 007 302**	**Net cash increase from ordinary operations**		**-14 164 388**	**-7 904 574**
1 570 281	40 027	Decrease/(increase) other receivables		-53 892	2 783
-646 816	209 604	Increase/(decrease) short term debt		-5 197 169	5 666 104
0	0	Increase/(decrease) deposits and debt to Clients	8	220 153 633	0
-278 809	**-757 671**	**A) Net cash flow from operations**		**200 738 184**	**-2 235 687**
0	0	Increase in intangible and tangible fixed assets		-881 517	-4 522 138
390 625	0	Reductions in tangible fixed assets		0	0
-90 000 000	0	Net investments in subsidiaries		0	0
-89 609 375	**0**	**B) Net cash flow from investment**		**-881 517**	**-4 522 138**
94 989 811	0	Increase/(decrease) in equity		0	94 989 811
94 989 811	**0**	**C) Net cash flow from financial activities**		**0**	**94 989 811**
5 101 627	**-757 671**	**A) + B) + C) Net changes in cash and cash equivalents**		**199 856 667**	**88 231 986**
1 164	5 102 791	Cash and cash equivalents at 01.01		88 345 810	113 824
5 102 791	4 345 120	Cash and cash equivalents at 31.12	6,7,12	288 202 477	88 345 810
5 101 627	**-757 671**	**Net changes in cash and cash equivalents**		**199 856 667**	**88 231 986**

Note 1 - General information

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

The Financial statements for 2016 were approved by the Board of Directors on March 22, 2017.

Note 2 - Accounting policies

Basis for preparing the consolidated annual accounts
The accounts for 2016 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 2016.

New or revised accounting standards approved but not implemented in 2016

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

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

IFRS 16 – Leases. The standard requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. The implementation of the new standard is expected to have minimal impact on the accounts. The standard is not yet endorsed by the EU. Expected implementation: 1 January 2019 at the earliest.

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

Note 2 - continued

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

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

Financial instruments
Financial assets and liabilities are recognised in the statement of financial position on the trading date, i.e. at the date the Group becomes a party to the contractual provisions of the financial instruments. Financial assets are derecognised when the right to receive and retain cash flows from the asset has expired. If the Group enters into agreements whereby assets are transferred to counterparties, though parts of or the entire risk and returns associated with the ownership are retained by the Group. If the major part of risk and returns is retained, the financial asset is not derecognised, but recognised at a value limited to the Group's continuing involvement. Financial liabilities are derecognised at the time the rights to the contractual obligations have been fulfilled, cancelled or have expired.

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

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

Note 2 - continued

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

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

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

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

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

Deposits from Clients
Client deposits are recognised at amortised cost.

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

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

Note 2 - continued

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

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

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

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

Note 3 - Critical estimates and assessments concerning

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

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

Note 4 - Risks

The SDH Group started operations in 2016. The Group's Risk Management Strategy provides an 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 company remains within the risk appetite level deemed appropriate by the Board of Directors.
The Group operates at a low level of aggregate risk. The Group's main risk categories, as outlined below, are operational risk, credit risk and business and strategic risk.

Note 4 - continued

Operational risk
The Group's main risk is expected to be operational risk related to operational activities and compliance with regulatory requirements. Key operational risks are identified as:
- Ensuring the highest standard of KYC and AML
- Safeguarding of deposits and withdrawal transactions
- Operational stability / deposit liquidity – client deposits available at all times
- Integrity and confidentiality of client data

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

Credit risk
The Group has no credit and counterparty risk related to loans or accounts receivable as SDBN receives their income as a fee of the Clients' bank deposits in the Norges Bank.
Credit and counterparty risk is therefore only relevant to the Group's own bank deposits. All own funds are deposited with the Group's main bank (Handelsbanken) or Norges Bank. Credit risk is therefore limited to the funds held with these counterparties.
The Group's risk appetite for credit risk is low. The Group has developed detailed guidelines for how to manage credit risk as part of the Risk Management Strategy.

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

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

The Group is exposed to liquidity and financing risk. Risk exposure and risk tolerance is low as the Group's business model requires and ensures that client deposits are highly liquid assets, as they are placed in overnight deposits with the Central Bank of Norway (Norges Bank). There is also an inherent risk that group companies do not have enough liquidity to fulfill its obligations with regards to operating expenses. SDH Group and SDBN have adequate capital for 2017 and beyond.

The Group will not have any market risk as the company will not hold any investments in financial instruments or assume any foreign currency risk.
Leverage risk is not relevant since no Group companies has any debt.
Systemic risk is inherently low given the business model.

Note 5 - Capital adequacy

As of 31 December 2016 the capital conservation buffer require¬-ment is 2.5 percent, the systemic risk requirement is 3 percent and countercyclical buffer is 1.5 percent. These requirements are additional to the requirement of 4.5 percent CET1 capital, so that the overall minimum requirement on CET1 capital is 11.5 percent.

As of 1 October 2016, differentiated rates become effective for the countercyclical buffer with 1.5 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.

The Group's common equity tier 1 capital at year end was NOK 66 569 980,- and risk weighted assets were NOK 21 007 266,-, which gives a CET1 capital ratio of 316,89 %.

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

NOK Parent 2015	2016	Loans and advances to credit institutions	Group 2016	2015
0	0	Cash and balances with central banks	277 415 397	59 043 635
5 102 791	4 345 120	Loans and receivables without agreed maturity or notice of withdrawal, AA rating	10 787 080	29 302 175
5 102 791	**4 345 120**	**Total**	**288 202 476**	**88 345 810**

Loans and advances to credit institutions are floating rate.

Safe
Deposit
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Note 7 - Credit quality per class of financial assets

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

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

NOK	Parent	Neither defaulted nor written down		
2015		Lowest risk	Defaulted or written down	Total
Cash and balances with central banks		0	-	0
Loans to and receivables from credit institutions		5 102 791	-	5 102 791
Loans to and receivabels from group company		7 611 442	-	7 611 442
Total		**12 714 233**	**0**	**12 714 233**

Note 7 - continued

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

NOK 2015	Group	Neither defaulted nor written down Lowest risk	Defaulted or written down	Total
Cash and balances with central banks		59 043 635	-	59 043 635
Loans to and receivables from credit institutions		29 302 175	-	29 302 175
Total		**88 345 810**	**0**	**88 345 810**

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

NOK	Group At 31 December 2015	On demand	Below 3 months	3-12 months	1-5 years	Above 5 years	Total
Cash flows related to liabilities							
Other commitments		6 775 882					6 775 882
Total cash flow liabilities		**6 775 882**	**0**	**0**	**0**	**0**	**6 775 882**

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 the 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	
	2015	2016		2016	2015
	-	220 000	Wages	5 799 344	1 813 183
	-	180 000	Accrued wages	238 200	966 667
	-	0	Pension costs	121 552	41 296
	-	61 170	Employer's contribution	968 787	256 745
	-	14 678	Social costs	77 931	70 449
	0	**475 848**	**Total personnel**	**7 205 814**	**3 148 340**

The Group had 4 employees as of December 31 2016, which implies FTE of 3.8.

CEOs	Period	2016	2015
Morten Meland	4.4.2016 - 31.12.2016	1 603 176	0
Kjetil Agnar Rivelsrud	25.11.2015 - 3.4.2016	1 354 830	300 000

Compensation to board members	2016	2015
Olga Godinho	30 000	
Christian A. Horneman Wist	160 000	
Morten Evjenth Lindbæk	30 000	

No additional bonus or variable remunerations were paid to board members or management.
There are no loans or guarantees to board members or management.
The SDBN compensation committee consists of all members of the SDBN Board.
It is the opinion of the SDBN Board that the SDBN Remuneration for management in 2016 is in accordance with the SDBN Remuneration Policy.

Note 10 - Other operating expenses

NOK	Parent		Group	
	2015	2016	2016	2015
IT costs	2 783	0	0	2 783
Ordinary depreciation	0	0	3 475 359	4 060
Operating expenses, real properties	22 295	0	746 812	225 667
Purchased services	1 114 276	406 590	1 927 299	3 980 435
Other operating expenses	87 554	129 177	4 311 767	751 348
Other operating expenses	**1 226 909**	**535 767**	**10 461 237**	**4 964 293**
Audit fees				
Statutory audit services	21 136	62 500	125 000	36 761
Other attestation services	57 125	0	0	67 125
Tax-related services	0	0	71 910	0
Other non-audit services	0	99 766	99 766	0
Total incl value added tax	**78 261**	**162 266**	**296 676**	103 886

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 2015	2016		Group 2016	2015
-1 202 274	-1 007 302	Profit before tax	-17 639 746	-7 908 634
-5 010 690	12 000	+/- permanent differences	24 000	-5 010 014
0	0	+/- change in temporary differences as per specification	3 656	-14 206
-6 212 964	**-995 302**	**Income subject to tax**	**-17 612 090**	**-12 932 854**
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 2015	2016	Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement	Group Deferred tax in balance sheet 2016	2015
		Temporary differences:		
-	-	Property, plant and equipment	10 550	14 206
0	**0**	**Total tax-increasing temporary differences**	**10 550**	**14 206**
0	**0**	**Deferred tax**	**2 638**	**3 552**
		Temporary differences:		
-7 191 896	-8 187 198	Deficit carried forward	-39 105 791	-21 493 701
-7 191 896	**-8 187 198**	**Total tax-decreasing temporary differences**	**-39 105 791**	**-21 493 701**
-1 797 974	**-2 046 800**	**Deferred tax asset**	**-9 776 448**	**-5 373 425**
-1 797 974	**-2 046 800**	**Net**	**-9 773 810**	-5 369 874

The above table comprises temporary differences from all consolidated companies shown gross. At the company level tax-increasing and tax-reducing temporary differences are shown net. At the group level recognition is on a gross basis in conformity with IAS 12 with each company being presented separately in the calculation of the Group's tax benefit and deferred tax.
Deferred tax asset is not recognised in the statement of financial position at year end 2015 or 2016.

Note 12 - Financial instruments

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

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market
Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

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

Level 3: Valuation based on other than observable data
If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

NOK **Parent**		2016			2015		
	Classification	Book value	Fair value	Level	Book value	Fair value	Level
Assets							
Loans to and receivables from credit institutions	Amortised cost	4 345 120	4 345 120	2	5 102 791	5 102 791	2
Loans to group companies	Amortised cost	7 516 213	7 516 213	2	7 611 442	7 611 442	2
Total financial assets		**11 861 333**	**11 861 333**		**12 714 233**	**12 714 233**	
Liabilities							
Total financial liabilities	**Amortised cost**	**0**	**0**	**2**	**0**	**0**	**2**

Note 12 - continued

NOK	Group		2016			2015		
			Book value	Fair value	Level	Book value	Fair value	Level
Assets								
Cash and balances with central banks		Amortised cost	277 415 397	277 415 397	2	59 043 635	59 043 635	2
Loans to and receivables from credit institutions		Amortised cost	10 787 080	10 787 080	2	29 302 175	29 302 175	2
Total financial assets			**288 202 476**	**288 202 476**		**88 345 810**	**88 345 810**	
Liabilities								
Deposits from and debt to Clients		Amortised cost	220 153 633	220 153 633	2	0	0	
Total financial liabilities			**220 153 633**	**220 153 633**		**0**	**0**	

Note 13 - Intangible assets

NOK Parent 2015	2016		Group 2016	2015
		Intangible assets		
390 625	0	Cost as at 1 January	6 881 250	2 420 000
-390 625	0	Intragroup acquisitions/disposals	0	0
0	0	Acquisitions/disposals	881 518	4 461 250
0	**0**	**Cost as at 31 December**	**7 762 768**	**6 881 250**
0		Total depreciation and impairment as at 1 January	0	0
0		Depreciation	3 463 179	0
0	**0**	**Total depreciation and impairment as at 31 December**	**3 463 179**	**0**
0	**0**	**Carrying amount as at 31 December**	**4 299 588**	**6 881 250**

Intangible assets concerns IT systems and licenses. The IT systems are amortised on a straight-line basis over two years in accordance with the remaining period of the agreement. Amounts recorded above are reviewed on the date of the statement of financial position for any indications of value impairment. No write-downs has been made in 2015 or 2016.

Note 14 - Other debt and liabilities

NOK	Parent			Group	
	2015	2016	Other debt and recognised liabilities	2016	2015
	3 653	578	Creditors	262 893	501 444
	1 700	214 380	Other	1 315 819	6 274 438
	5 353	**214 958**	**Total other debt and recognised liabilities**	**1 578 712**	**6 775 882**
	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**
	5 353	**214 958**	**Total commitments**	**1 578 712**	**6 775 882**

There are no securities pledged at year end 2015 or 2016.

Note 15 - Investments in subsidiaries and transactions with related parties

Shares in subsidiaries

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

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

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

NOK 2015	Company number	Reg. office	Stake in percent	Share capital	No of shares	Nominal value
Safe Deposit Bank of Norway AS	999644392	Oslo	100	40 100 000	401 000	100
Total investments in credit institutions				**40 100 000**	**401 000**	**100**

	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
Safe Deposit Bank of Norway AS	90 182 406	14 381 970	179 364	6 885 724	-6 706 360	90 100 000
Total investments in credit institutions	**90 182 406**	**14 381 970**	**179 364**	**6 885 724**	**-6 706 360**	**90 100 000**

Significant transactions with group companies

NOK	2016	2015
Loan (Safe Deposit Bank of Norway AS)	7 516 213	7 611 442
Interest income/expence	0	0
Intragroup acquisition/disposal of intangible assets	0	390 625

Note 16 - Share capital

NOK Share capital	Number of shares	Nominal value	Book value
Ordinary shares 1 January 2015	84 667	200	16 933 400
Issue new shares	0	200	0
Ordinary shares 31 December 2015	84 667	200	16 933 400
Issue new shares	0	200	0
Ordinary shares 31 December 2016	**84 667**	**200**	**16 933 400**

Largest shareholders	Solstice	Number of shares	Ownership in percent
JOH. JOHANNSON HANDEL AS		8 458	9,99 %
RUFFEN INVESTOR AS		8 458	9,99 %
MORTEN FRODE MELAND	CEO [1]	8 458	9,99 %
CREDIT SUISSE AG (Nom)		7 827	9,24 %
KBL EUROPEAN PRIVATE BANKERS S.A. (Nom)	Board Member [2]	6 860	8,10 %
SUNDT AS		6 666	7,87 %
UNION BANCAIRE PRIVEE, UBP SA (Nom)		4 229	4,99 %
BANQUE INTERNATIONALE À LUXEMBOURG		4 229	4,99 %
(Nom) HENNING LASSEN		3 350	3,96 %
BEETLE INVEST AS		3 334	3,94 %
NERGAARD INVESTMENT PARTNERS AS		3 333	3,94 %
HÅKON WÆRSTAD		3 000	3,54 %
HARALD ARNE LOTHE		2 050	2,42 %
NSV INVEST AS		1 667	1,97 %
RINGNES HOLDING AS		1 667	1,97 %
ØVRE HOLDING AS		1 334	1,58 %
HAUGANS HUS AS	Board Member [3]	1 334	1,58 %
BACHELOR AS		1 333	1,57 %
FERMIN AS		1 000	1,18 %
FRODE ALHAUG AS		817	0,96 %
CHRISTIAN ALEXANDER HORNEMAN WIST	Board Member	200	0,24 %
HARRY KONTERUD	Board Member	95	0,11 %
Others less than 1 %		4 968	5,87 %
Total		84 667	100,0 %

[1] Safe Deposit Bank of Norway Board Member until March 31, 2016 – [2] Board Member Olga Godinho – [3] Board Member Monica Amanda Haugan

Note 17 - Subsequent events

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

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Safe
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Building a better working world

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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 statement of financial position as at 31 December 2016, 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 of Safe Deposit Holding ASA 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 2016 and their financial performance 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 and CEO (management) is 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 determine 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.

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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 have fulfilled their duty to ensure that the Company's accounting information is

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properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 March 2017
ERNST & YOUNG AS

Einar Hersvik
State Authorised Public Accountant (Norway)