
SAXO BANK ANNUAL REPORT 2005

Established in 1992, Saxo Bank A/S is a specialised investment bank offering online investment trading services in the global capital markets. An EU-regulated investment bank based in Denmark, the business is principally focused on the provision and facilitation of state-of-the-art technology and trade execution facilities to private and institutional clients and white label partners throughout the world.

Through the deployment of the bank's award-winning online trading platforms, SaxoTrader and Saxo WebTrader, the bank emphasizes the delivery and application of trade execution facilities using real-time market data, streaming tradable prices and risk management tools accessible to private and institutional investors worldwide. Today, Saxo Bank serves thousands of clients directly and provides infrastructure for a growing number of correspondent financial institutions throughout the world.

TABLE OF CONTENTS

5	Annual Report 2005
7	Company Information
8	Financial Highlights
9	The Year in Review
12	Diagrammatic Overview
13	Business Model
15	Building the Future
25	Investing in the Future
27	Looking Ahead
29	Financial Review
34	Management Statement
35	Auditors' Report
36	Accounting Policies
38	Profit and Loss Account
38	Proposed Allocation of Profits
39	Balance Sheet
40	Changes in Capital
42	Credit Risk
43	Market Risk
47	Notes to the Profit and Loss Account
50	Notes to the Balance Sheet
53	Notes without Reference



CEOs

Kim Fournais and Lars Seier Christensen

ANNUAL REPORT 2005

Saxo Bank serves a rapidly expanding marketplace of traders and investors seeking access to the capital markets. The bank's business capably addresses three segments of traders and investors, providing each with an advanced suite of information, execution and risk management functionalities driven from a powerful, custom-engineered IT capability. For each segment, the bank provides bespoke services to meet unique, specialized requirements.

PRIVATE CLIENTS

Private Clients select Saxo Bank's online platforms to trade directly on OTC and exchange-listed products. Serving private clients in more than 120 countries, the bank generates leads through online advertising including search engines, campaigns and educational mails and seminars. Private clients trade on margin-based collateral accounts wherein they access a broad suite of products, as allowed by regulatory prescriptions in their legal domicile. For direct traders and Introducing Brokers, the service and sales trading capabilities inherent in the bank's platforms enable real-time pricing, trading and risk management. Introducing Brokers trade directly with Saxo Bank; their clients may trade on the bank's platforms, or the Introducing Broker may trade on their behalf through a power of attorney legal arrangement.

INSTITUTIONAL CLIENTS

Institutional Clients select Saxo Bank's online platforms or, in select instances, the bank's liquidity via its FIX 4.3 API to access OTC and exchange-listed instruments. The bank delivers competitive pricing, market-making and trade management distin-

guished by transparent, efficient execution and risk management. Trade settlement is executed through margin, prime brokerage, credit and trading lines, or, increasingly, through the global settlement facility of CLS. The online institutional marketplace continues to expand as professional financial organizations recognize the efficiency of the bank's business model, product expertise and IT-driven information, execution and risk management systems.

WHITE LABEL CLIENTS

White Label Partners select Saxo Bank's turn-key service to accelerate and expand their online business. For licensed financial institutions able to hold client funds, the bank provides a state-of-the-art suite of account set-up and risk management capabilities that enable the partner to directly manage their client account activity. The White Label Partner business strategy engages the bank with local market leaders able to provide sales, marketing and service in their own language and time zone. For the partner, Saxo Bank delivers a proven and constantly enhanced suite of capabilities including lead generation, educational services, account and sales trading support and partner support.



Henrik Thufason
Chairman of the Board



Florian Wendelstadt
Vice Chairman of the Board



John Korsø Jensen
Member of the Board



Jonathan Korngold
Member of the Board



Henning Skovlund
Member of the Board



Teddy Jacobsen
Member of the Board

BOARD OF DIRECTORS

COMPANY INFORMATION

COMPANY	Saxo Bank A/S Smakkedalen 2 DK-2820 Gentofte Denmark Reg. No. 1149 CVR No. 15 73 12 49 Registered Office: Gentofte	
BOARD OF DIRECTORS	Henrik Thufason Florian Wendelstadt John Korsø Jensen Jonathan Korngold Henning Skovlund Teddy Jacobsen	Chairman of the Board Vice Chairman of the Board Member of the Board Member of the Board Member of the Board Member of the Board
SENIOR MANAGEMENT	Lars Seier Christensen Kim Fournais Eric Frydenlund Michelsen Shailendra Robin Patel	Joint Chief Executive Officer Joint Chief Executive Officer Vice Chief Executive Officer Chief Financial Officer
MANAGEMENT GROUP	Claus Nielsen Daniel Darst Karen Elizabeth Heltoft Steen Jakobsen Henrik Hviid Klæbel Ole Rossing Erik Kjær Søren Schlüter Flemming Skov	Executive Director, Global Head of Trading Executive Director, WLP Business & Strategy Executive Director, Head of Legal & Compliance Executive Director, Head of Fund Management Executive Director, Chief Operations Officer Executive Director, IT Director Executive Director, Human Resources Executive Director, Private Client Group Director, Head of Software Engineering

SAXO BANK

FINANCIAL HIGHLIGHTS

	2005	2004	2003	2002	2001
KEY FIGURES (DKr. '000)					
Net interest, fees and commissions receivable	-99,702	-90,283	-63,540	-7,607	16,725
Price and exchange rate adjustments	735,763	549,387	350,323	165,284	80,281
Staff costs and administrative expenses	-395,218	-284,064	-209,125	-127,561	-84,234
Loss and provisions for bad debts	-122	-383	-277	-130	-598
Result of participating interests in affiliated undertakings	-121	295	248	-20	0
Net profit for the financial year before tax	222,919	160,829	65,923	23,919	10,239
Net profit for the financial year	158,093	109,401	45,102	16,132	7,214
Loans and advances	121,317	102,581	62,493	40,290	36,725
Subordinated loan	74,614	74,375	74,463	0	0
Shareholders' equity, end of year	335,881	213,885	116,336	75,039	58,075
Total assets	4,288,600	2,816,690	1,823,121	849,595	446,814
No. of employees (average)	318	239	174	122	93
RATIOS					
Solvency ratio	14.6%	28.8%	28.9%	15.9%	34.2%
Core capital ratio	11.4%	20.1%	16.4%	15.9%	34.2%
Return before tax on shareholders' equity	81.1%	97.4%	68.9%	35.9%	24.4%
Return after tax on shareholders' equity	57.5%	66.3%	47.1%	24.2%	17.2%
Cost/core income ratio	1.54	1.50	1.30	1.18	1.11
Interest rate risk	1.9%	2.2%	0.4%	0.6%	1.4%
Foreign exchange positions	495.1%	529.4%	334.6%	322.6%	162.4%
Exchange rate risk	6.6%	6.4%	6.5%	13.8%	3.3%
Loans, advances and provisions proportional to deposits	3.6%	4.8%	4.6%	6.0%	10.5%
Loans and advances proportional to share capital	0.4	0.5	0.5	0.5	0.6
Growth of loans and advances	17.6%	65.1%	55.1%	9.7%	43.9%
Additional liquidity proportional to the demand of liquidity	786.3%	780.2%	740.4%	721.6%	728.8%
The total of large engagements/base capital	123.3%	50.8%	37.0%	11.9%	48.2%
Loss and provisions ratio	0.1%	0.4%	0.4%	0.3%	1.6%

THE YEAR IN REVIEW

In 2005, Saxo Bank advanced its business goals across a broad range of metrics. Positive growth in operating income, earnings and shareholders' equity highlighted a year of significant expansion throughout the firm. From record levels in trading volume across all investment instruments to the development of new trading platforms for use by more partners and clients than ever before, Saxo Bank is pleased to report on a year of formative development in technology, people and strategic growth.

MANAGEMENT REVIEW

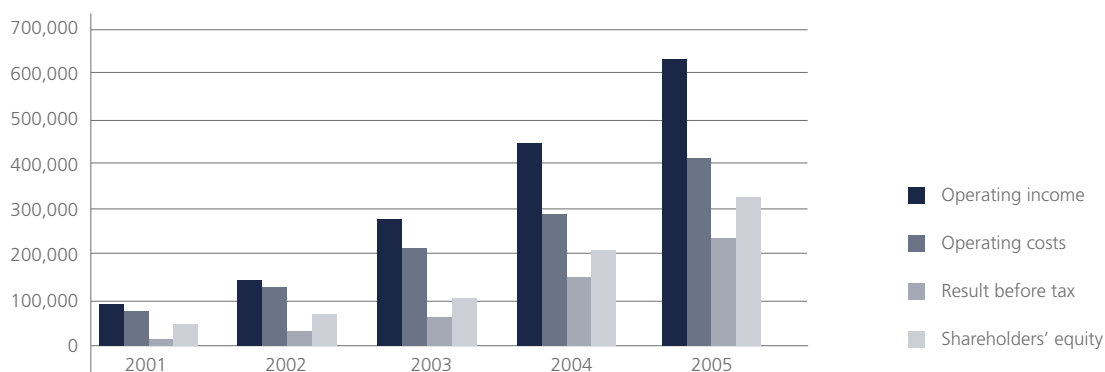
The bank's profit on ordinary activities before tax rose to DKr. 223 million, an increase of 39% from 2004. Operating income reached a record DKr. 636 million, an increase of 39% from the previous year. Shareholders' equity increased by 57% to DKr. 336 million. Total assets increased by 52% to DKr. 4.3 billion. Partners, clients, trading volumes and operating income all grew across the different product offerings and in line with management expectations. Client collateral deposits – a strong indicator of prospective

growth in trading activity and earnings - reached DKr. 3.7 billion. The bank's management is therefore pleased to report on a year of continued investment and building for the future through the ongoing development of the business model, the technology infrastructure and a progressive human resource focus.

REPORTING ON A SUCCESSFUL YEAR

In 2005, more clients and partners than ever selected Saxo Bank for their online trading and business requirements.

FINANCIAL RESULTS 2001 - 2005 (DKr. '000)



The bank's business model emphasizes facilitation, suggesting a cooperative, rather than competitive, business philosophy. The bank works with – rather than in competition against – market participants at all levels of the industry. Combining an intensive IT focus with a deep regard for transparent, scalable and client driven solutions, Saxo Bank seeks to add value for liquidity providers, for exchanges, for distributors and for direct trading partners. Facilitation translates into enabling large liquidity providers to obtain global and profitable access to the growing, retail investor markets. It translates into aggregating liquidity and exchange access for smaller, efficient distributors who might otherwise find such access impeded.

This perspective underscores the growth and geographic expansion of Saxo Bank's engagements with private, institutional and WLP (White Label Partner)

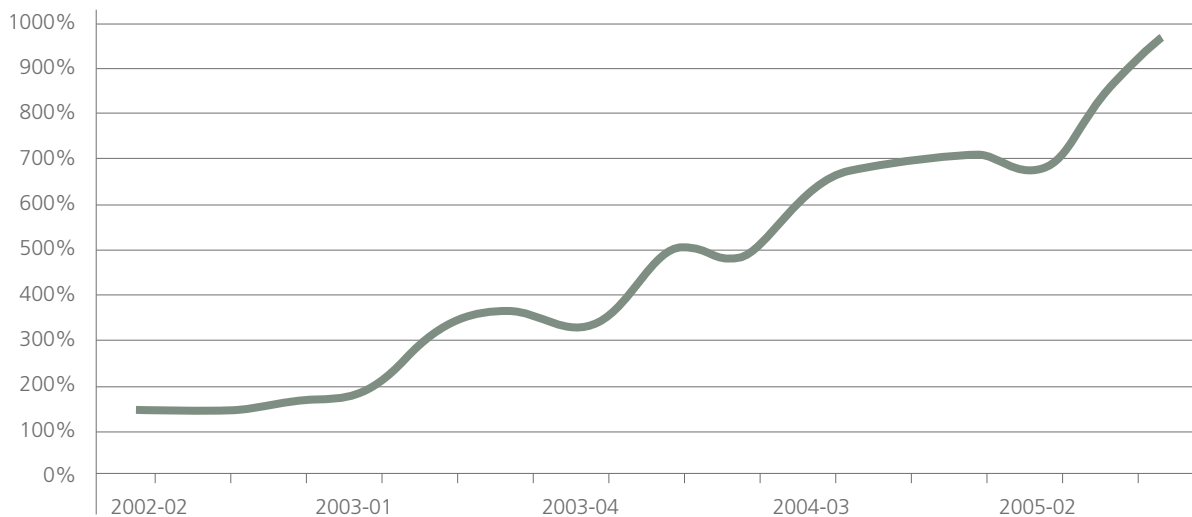
markets throughout the world. The bank continues to reinvest in and expand its value chain (shown in diagram on page 12) from lead generation through end-user service to strengthen the unique selling proposition offered to clients and partners.

Saxo Bank seeks to add value throughout the global, online capital markets through a focused programme of **a)** product development and efficient instrument delivery, **b)** market making, liquidity management, integrated risk and operational management and **c)** value-added distribution capabilities using client and product-specific marketing, sales and content management initiatives.

FROM PRODUCT DELIVERY TO DISTRIBUTION

The bank partners with liquidity providers and exchanges worldwide by providing an integrated trading infrastructure and distribution network. The

RELATIVE GROWTH IN CLIENT TRADING SINCE Q2 2002 / FOREIGN EXCHANGE



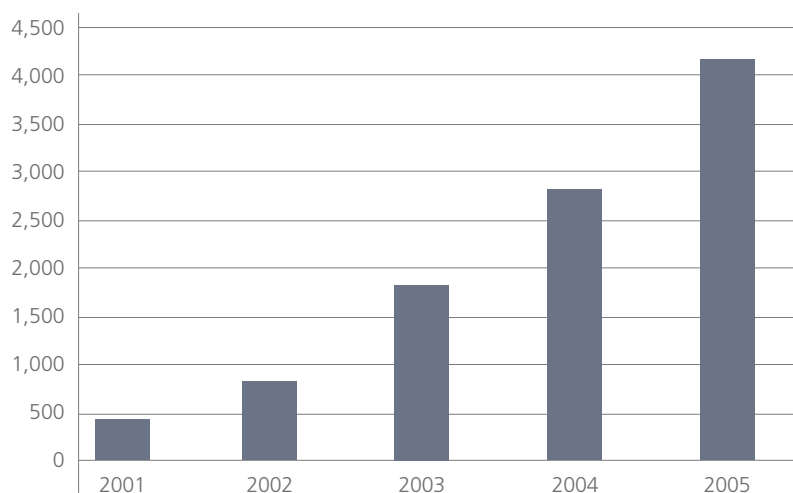
bank aggregates OTC products (FX and CFDs) and makes available direct market access to exchange traded or listed products (equities, futures, funds) through its unique trading and risk management platforms. This bespoke technology program is scalable and sets the pace for horizontal product expansion, as well as increasing the range of functional and service-related capabilities for trading and risk management on the platforms. For large liquidity and product providers, the bank's STP and market-making capabilities for deal execution, clearing, settlement and custody serve as a cost effective and compelling distribution.

White Label Partners benefit from Saxo Bank's turnkey service offering to accelerate their firm's entry into the online capital markets. Through the bank's integrated business model, local part-

ners are able to deliver a full product suite supported by a strong technology platform to their marketplace. Saxo Bank further enhances the offer by providing marketing, website services and account management.

For the Introducing Broker segment as well as the direct Private Client market, the continuous enhancement of online investment trading and risk management tools combined with the expansion of product functionalities and tradable instruments has helped to cement relationships and foster growing commitment to the bank's services.

TOTAL ASSETS (M DKr. '000)

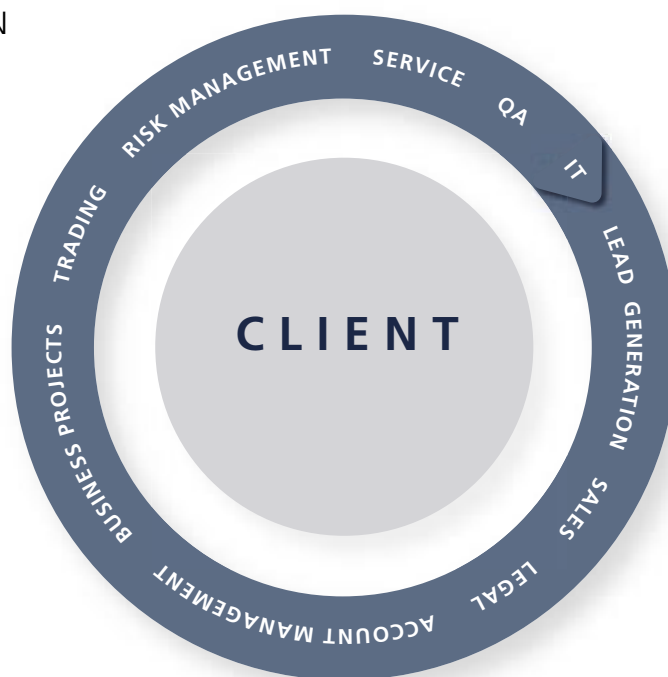


Continued growth in client deposits has contributed to the growth in total assets.

SAXO BANK

DIAGRAMMATIC OVERVIEW

VALUE CHAIN



TIMELINE 2005

Q1	Q2	Q3	Q4
<p>Saxo Bank and the Chicago Mercantile Exchange (CME) jointly market in Nordic region with educational and product-trading strategies.</p> <p>Euromoney Technology Poll names Saxo Bank Best in Class for FX dealer-to-client trading and Best in Class for Interdealer options.</p> <p>Institutional pricing introduced for futures on the SaxoTrader.</p> <p>www.saxobank.com memberships exceed 500,000.</p>	<p>Saxo MiniTrader – USD 2,000 account minimum – introduced to private clients.</p> <p>Saxo Bank welcomes US-based private equity group General Atlantic as a 25% shareholder.</p> <p>Saxo Bank introduces trading on 60 shares via CFD on Singapore’s Straits-Times Index, and CFD trading on all 225 shares on the Nikkei 225.</p> <p>Three new stock exchanges added to the SaxoTrader: Austria (AST), Australia (ASX) and Ireland (IRE).</p>	<p>FX Week Magazine names SaxoTrader Best Retail Platform for FX Trading at its annual US congress.</p> <p>Saxo Bank introduces new currency pairs, including USD/TRY, EUR/CHF, and EUR/GBP.</p> <p>Saxo Bank exhibits at 2005 SIBOS Annual Conference, Copenhagen, Denmark.</p> <p>Saxo Bank announces plans to open London office.</p> <p>Bank inaugurates Saxo Bank Sales Academy to recruit, train and deploy private client sales professionals.</p>	<p>Saxo Bank introduces EFT & i-shares on the SaxoTrader.</p> <p>B2B Fix server introduced to institutional clients.</p> <p>Saxo Bank hosts first annual White Label Partner workshop – “Best Practices” for selected partners.</p> <p>Saxo Bank captures honors in multiple categories FX Week’s Best Bank Awards, and is named by investors as a top ten Best Bank Overall for FX Trading.</p> <p>Number of employees surpasses 400. New hires for the year total 144.</p>

BUSINESS MODEL

THE ENGINE FOR GROWTH

In 2005, the bank welcomed clients and partners across all segments.

Direct traders (both private and institutional), Introducing Brokers and White Label Financial Partners continue to choose the SaxoTrader as their preferred platform. In 2005, direct clients increased 49% while clients through Introducing Broker relationships gained 71%. At the same time, the number of clients through WLP relationships expanded 107%.

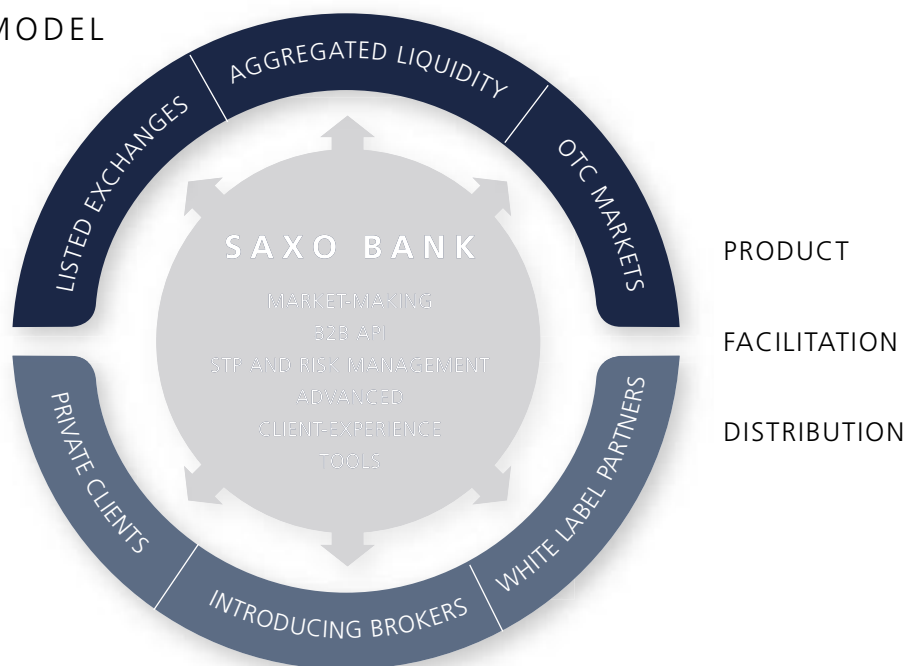
As discussed on page 5, these three primary client segments are served from a common set of applications, trading and risk management capabilities and service protocols that are constantly upgraded.

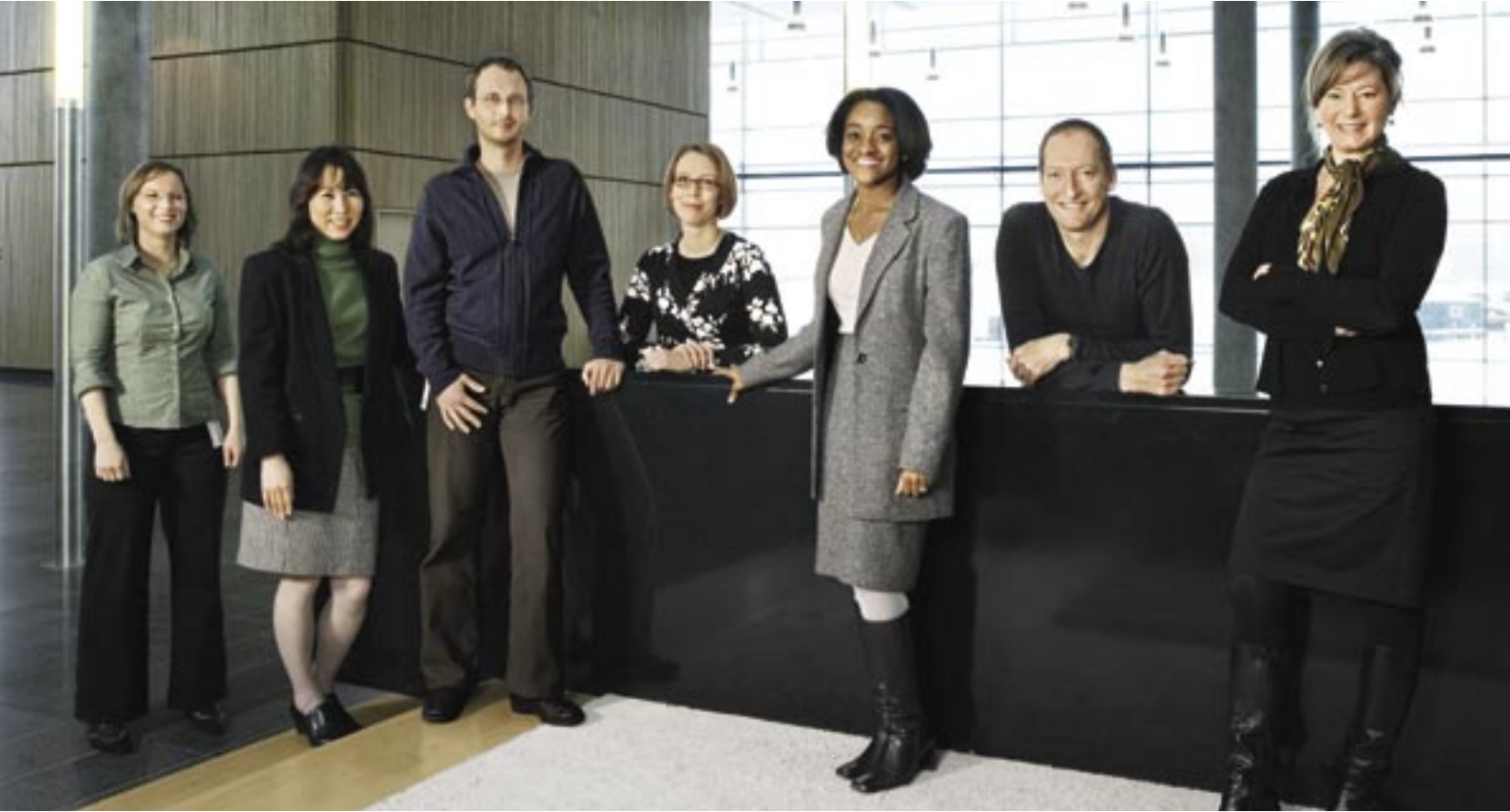
In 2005, the bank focused on balance and growth amongst these client segments. During the year,

segment management gained momentum. These efforts have resulted in the deployment of client/market segment specific business strategies, designed to better align the bank's products and service offerings, and in turn to increase profitability as well as the end-user experience.

Important geographic expansion during the year also underscored the viability of the business model. Professional traders from all over the world continue to consolidate their trading and investing with Saxo Bank, while broadening the base of financial institutions seeking commercial entry to the marketplace. Such white label partners benefit in equal measure as direct trading clients from the bank's expertise in sales, client activation and training.

BUSINESS MODEL

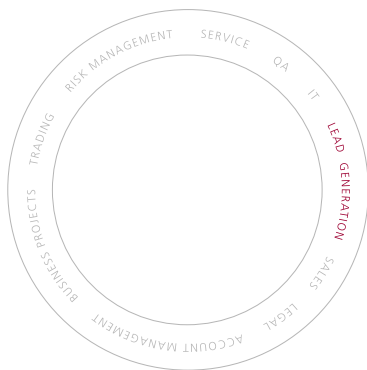




LEAD GENERATION

The value chain begins with lead generation – casting a wide net via the world wide web to offer the Bank's value proposition to traders and investors seeking a world-class platform. For retail, institutional and white label businesses, lead generation is a well-defined and managed business activity.

Solveig Manthey, Mayumi Hibi Strømsted, Gueorgi Zaitsev, Miriam Spalink, Kimberly Sallingboe, David Hague, Lotte Winkel



BUILDING THE FUTURE

2005 has been a year of significant investment and practical strategic planning.

Information technology remains a critical advantage for the bank. During the year, IT capabilities expanded with focused hiring of select expertise, including highly skilled, software development resources in Copenhagen as well as in St. Petersburg. The increased capacity has been deployed to secure the broadest and most intensive technology development initiatives undertaken by the bank to date. This continued commitment to investment in information technology has resulted in significant systems and technology enhancements and break-through usability design. Central to the bank's strategy is the management of business and financial risk through full ownership of code, systems and intellectual property.

Technology drives client empowerment which in turn promotes client satisfaction.

The bank's expanded client base, trading volume and instrument availability ensure integrated working relationships between technology, business projects and client-facing service professionals. Client feedback, product opportunities, and system developments lead to solutions designed to reduce inefficient dependencies and support broader commercial advantages.

The development of a client configuration management (CCM) system, for example, enables white label partners to activate and service their end-users' accounts without direct intervention from the bank. Through the CCM, each partner defines client commission groups with unique pricing and risk management profiles. Rather than rely on the bank's personnel to create individual

trading accounts, the partner applies specifically defined client profiles to each of their clients using this enhanced technology based service. Valuable bank resources are thus freed to concentrate on other tasks, while the partner gains significant ownership of its business practice.

A multi-hierarchy account structure introduced during the year provides Introducing Brokers and White Label Partners with a rational and clearly defined structure for managing accounts and sub-accounts. In practice, white label partners are now able to establish relationships with Introducing Brokers or white label partners who in turn, may forge relationships with their own Introducing Brokers. Solving a challenge for the partner market, this multi-hierarchical account structure provides clear see-through from the account owner's perspective, coordinating critical risk control functions including netting and margin management at sub-levels rising through to the omnibus account level. For the bank's partners, the enhanced organization of their business accounts means efficient account management, risk assessment and client servicing.

Strategic human resource planning is also a critical foundation of the bank's growth.

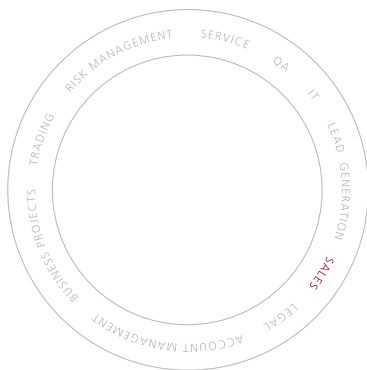
During the year, the bank broadened its reach in acquiring expertise in sales, service and technology. With a headcount exceeding 400 at year's end, one third of who are IT professionals, managed personnel growth continues to be a fundamental competency for the bank. Two bank-wide initiatives – the Role Model Program and Saxo Bank Version 2 – established a defined



SALES

The sales team educates and advances the bank's prospects to full trading clients through online and in-person contact. Deep product and platform knowledge helps to ensure that new private and institutional clients are ready to begin trading, and are properly introduced to the Saxo Trader platform before being handed over to account management and sales trading.

Li Yu, Anthony Huntford, Zoë Christie, Thomas Schack Bregnbak, Julija Titova, Raymond Østergård



framework for managed growth, mentoring and professional development. In addition, Quantitative Analysis and Quality and Process functions expanded to deliver more transparency, accountability and precision in daily business activities.

A central, guiding expression of corporate values that has helped define the bank during this period of growth is the Corporate Values Statement. Building from a set of fundamental business and ethical standards, the Saxo Bank Corporate Values Statement articulate principles for the approach to business as well as practical rules of engagement. Emphasizing integrity, independent and rational judgment, empowerment, independence and honesty, the bank's corporate values permeate the its business practice on many dimensions from client-facing conduct to service, trading and cross-functional teamwork.

As a natural consequence and extension of the firm's corporate values approach, the Role Model program and Saxo Bank Version 2 help define the framework for the future.

The Role Model Program initiative focuses on identifying, supporting and rewarding leadership and

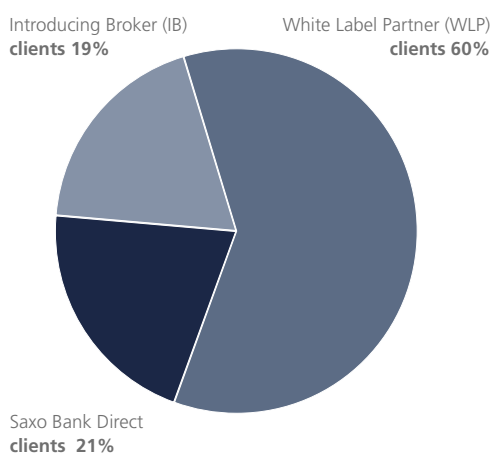
expertise. As the bank continues to grow, attracting experienced financial professionals as well as recruiting university graduates, the role of mentors, coaches and empowered leaders gains priority.

The Saxo Bank Version 2 initiative focuses on empowerment, rational decision-making, effective teamwork and common, shared values and vision. Saxo Bank Version 2 also recognizes the importance of clearly defined goals, key performance indicators and objectives.

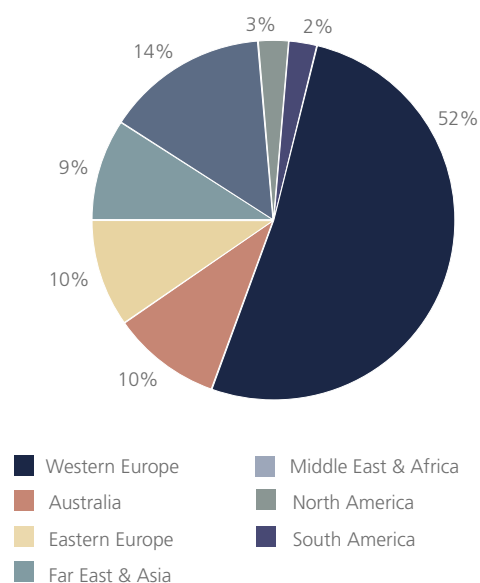
To capitalize on the automation and process efficiency of the private sales group, the bank inaugurated the Saxo Bank Academy, a training program for recent business school graduates. Through this intensive four week training program followed by continued ongoing education, the bank has been able to welcome more than 30 motivated and skilled front-line sales professionals. The efficiency of the lead generation processes combined with the expanded sales force sets the stage for growth in private client business during the next year.

Enterprise-wide data management expanded rapidly during the year. The role of quantitative analysis throughout the bank establishes a broader

NEW CLIENTS IN 2005



GEOGRAPHIC DISTRIBUTION OF CLIENT BASE





LEGAL

Legal and compliance boasts expertise from every corner of the international fund market, and ensures that our procedures, contract administration and handling of clients and transactions occurs in full compliance with international law and standards.

Kasper Jørgensen, Bettina Rickert, Lars Lundsgaardvig, Päivi Oinonen, Remonda Zahdeh, Anders Rasmussen



framework wherein client and trading information become more granular and relevant.

Horizontal and vertical product expansion continues to distinguish the bank's offering.

During 2005, additional equity and futures exchanges including Singapore, Japan and Montreal, were brought on line. Cash stocks, futures and exchange traded funds broadened the suite of tradable instruments with significant volume growth in private client, institutional and WLP markets.

At year's end, the SaxoTrader offered the bank's clients and partners instant, 24-hour access to more than 130 currency crosses, 22 international stock markets for traditional stocks as well as CFD trading and an additional 16 international, electronic futures exchanges supporting investment trading in over 200 individual futures contracts.

With expanded product offerings, the bank strengthened its product development, management and service functions. More traders and investors regularly engage with the professional staff for insight and ideas. Managed product

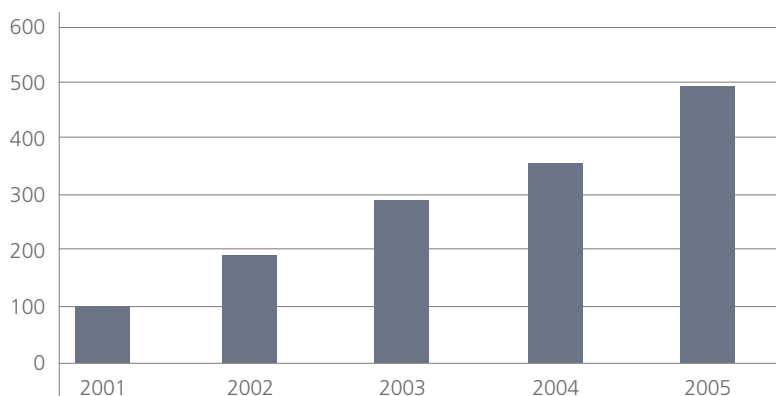
introductions ranging from the addition of more exchanges to functional enhancements in account activity logs are communicated to the marketplace via dealer chat, broadcast, emails and web-based seminars. During the year, the bank inaugurated a web-based education program in concert with CME to disseminate platform instruction and technical trading skills.

Platform introductions highlighted the second half of 2005.

Completing a development program initiated in 2004, the bank introduced during Q4, the next generation of the bank's award winning online investment trading platform, SaxoTrader. Driven by client input, industry practices and extensive internal assessment and evaluation, the new platform increases the intuitive usability of the SaxoTrader trading platform.

The next generation version of SaxoTrader, offers, for example, an integrated price board in which FX, stocks, CFDs, futures and funds are combined in a single product tree. Trading can be launched from four separate locations. Order management, stops and fills, allow traders more flexibility and

INDEXED GROWTH IN NEW CLIENTS SINCE 2001 (2001=100)



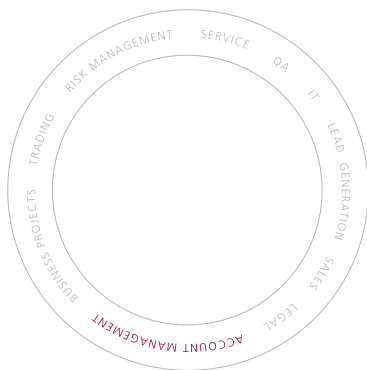
Since 2001, the bank has continued to attract increasing numbers of new clients through the effective deployment of the bank's e-marketing sales strategy.



ACCOUNT MANAGEMENT

For private, institutional and white label partners, the account management function is the centerpiece of the relationship, educating and supporting client trading and investment strategies, while helping partners build their business.

Patrick Mortensen, Johnny Nielsen, Øistein R. Hoff, Dana Levin, Yaser Faiz Rawashdeh, Maki Vinter, Zaid Al-Maiyah



control of their portfolio strategies. The charting functions, too, are broadly enhanced with greater analytical tools, research methodologies and customization of studies and bespoke analyses. Furthermore, the new platform will be fully translated into 16 languages through a customized content management application. For the bank's global marketplace, the advanced language capability is among the most significant enhancements. As this new platform is introduced to private clients and WLP partners, additional languages will be added to the roster.

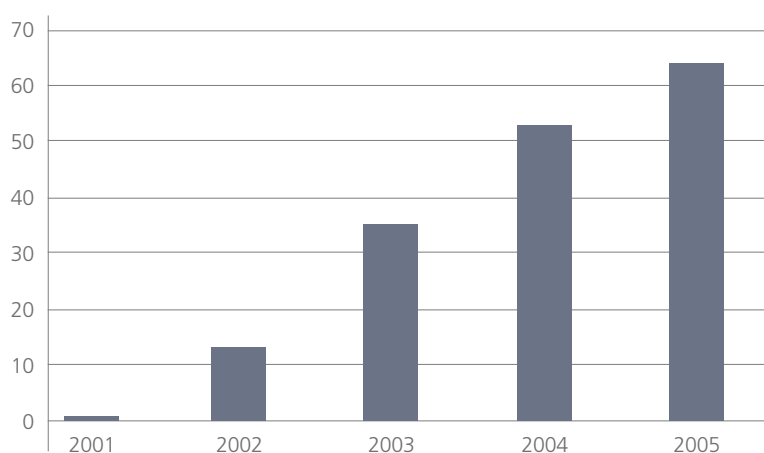
During the second half of the year, the bank also introduced a browser-based trading platform, the Saxo WebTrader, which combined with a mobile phone trading application, widens the marketplace and the bank's reach into the global, retail investor communities. For traders who prefer a "thin" client platform, the Saxo WebTrader is a preferred solution. The browser-based platform reduces firewall restrictions while ensuring maximum privacy and security. Starting with STP FX trading, the WebTrader is slated to include CFDs, stocks, futures and funds. The Saxo WebTrader has been introduced to private clients during January 2006 and will be introduced to WLPs during the first quarter of 2006.

During the third quarter, the bank introduced a new Business-2-Business FIX 4.3 protocol solution. The new FIX application allows carefully selected front-end providers to share Saxo Bank's liquidity for their own trading and for redistribution to their end-users. Custom-engineered by the bank's front end systems group, this project radically expands the firm's ability to engage with appropriate front-end providers, black-box trading systems and other select partners. Available only to clients who meet stringent business case profiles, the new B2B solution widens the range of solutions and deepens the range of engagements with existing partners and trading clients. At present, the bank only offers FX via B2B, but CFDs and futures will be launched in 2006.

Adding value, insight and expertise to the client experience continued throughout the year.

Expanded technical research, market analysis and product discussion highlighted the bank's growing offering to the marketplace. Three times each day, coincident with market openings in the Far East, Europe and North America, the bank distributes Market View. This analysis is embedded in the SaxoTrader, displayed on the website

WHITE LABEL PARTNERS



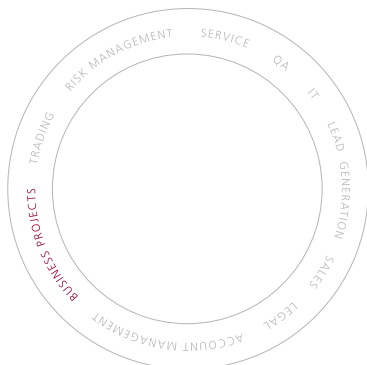
The number of WLPs has climbed dramatically while the corresponding client base served by these partners has grown exponentially.



BUSINESS PROJECTS

Business Projects' core area of expertise is the gathering of information and requirements from the business side, (clients and partners as well as other Saxo Bank departments) and translating these requirements into meaningful project requirements which can be executed by the Bank's IT and Development departments. At each stage of project deployment, Business Projects, also analyze and check that each new roll-out will not adversely affect any of the existing systems and procedures. As a result of the group's acquired expertise in Saxo Bank's systems and procedures, Business Projects plays an instrumental role in launching new WLP partners, training them and supporting their work on the systems.

Markos Vidalis, Karina Degn, Antonio Fornasari, Michael Aagaard, Ole Thougard Simonsen, Jonas Pilerö,



and automatically re-branded for distribution to the WLP segment.

Each morning, the Saxo Bank Wake-Up Call is posted on the website and distributed to partners under their branded masthead. The Wake-Up Call sets the stage for the day's market outlook with respect to macro-economic activity and particular business announcements that may drive market movements.

At 10:00 CET each morning, the bank films Saxo Market Call live from Copenhagen, streaming the daily update to hundreds of websites and thousands of viewers. In combination with tens of thousands of subscriptions to Market View and regular product and macro-economic updates, the bank continues to engage with a wide base of prospects who recognize the knowledge and timeliness of the Saxo Bank professionals.

To support client and partner demand for trading insight and strategies, the Saxo TradeMaker, launched in 2004, was further enhanced with additional trading ideas providing auto-execute opportunities. TradeMaker delivers market-entry, take-profit and stop-loss recommendations with a single click, establishing OCO orders for direct trading clients and for WLP platforms who choose to enable the functionality.

AWARDS AND RECOGNITIONS

During 2005 and in the previous years, Saxo Bank has been privileged to earn top marks in the industry's premier award venues: Euromoney and FX Week. The bank is recognised for liquidity, cross-product trading, technology, e-research, and overall FX capability as rated by professional investors.

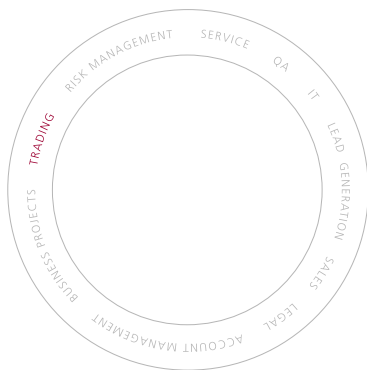




TRADING AND PRODUCT DEVELOPMENT

Trading partners look to the Bank for support and advice on their trading positions, investment opportunities and market strategies. For partners and clients, Saxo Bank's Strategy Team delivers daily insight and analyses on factors shaping the market.

Mattias Svensson, Didier Abbato, Nanna Saito Nielsen, Nasreen Khokhar, Johnny Ibsen, Bo Ahm, Claus Gelhede



INVESTING IN THE FUTURE

In 2005, the bank continued its strategic initiatives to strengthen the organization and expand its business reach.

Saxo Bank established a new partnership with General Atlantic Partners, LLC. (GA), a venture capital firm known for its investments in entrepreneurial, innovative, technology-driven businesses. After reviewing competing offers, the bank selected GA as an investment partner. GA, becoming a twenty-five percent owner of the bank, helped shareholders to secure a return on their investment while introducing an experienced, forward-looking global partner to the Board of Directors.

A core tenet to Saxo Bank's business model is to stay close to the market. Through the internet, this has been realized and reinforced with each product enhancement and service expansion. At the same time, the growing base of clients and partners demands extensive traveling and resource management. The bank's product, technology, service and human resource leadership remain well-grounded in Copenhagen. From this base, the bank began implementing an expansion to Singapore and London during 2005, both sites selected as preferred bases for client support and service.

With more than twenty percent of the bank's business deriving from the Asia Pacific region,

the Singapore office, slotted for a 2nd half 2006 opening, will enable the bank to place professionals directly in the client time zone supported by deeper local language capabilities to be acquired locally. Private client sales will also be enhanced from the local office.

London, acknowledged as the center of the global capital markets, was the second new office project to be initiated in 2005. Access to expertise in sales, account management and trading, plus close proximity to travel paths worldwide inform viability of the London office.

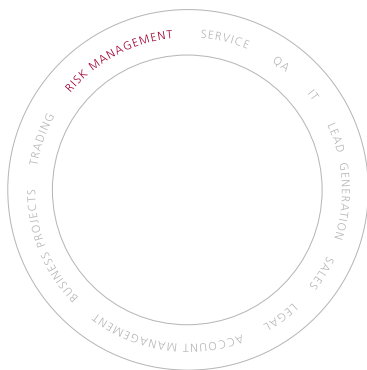
Furthermore, the bank has completed contractual agreements to begin construction on the bank's new corporate headquarters in the expanding business center just north of central Copenhagen. The planned new domicile will house the bank's Denmark-based executive management, IT, sales, trading, account management, business projects, risk management and customer service professionals. With an expected completion of the building planned for early 2008, the new office center will be a significant profile in Copenhagen, as well as a powerful nucleus for the bank's global operations.



RISK MANAGEMENT

Central to the Bank's internal business management is the careful analysis of aggregate positions and individual trading activities in the world's markets. From reviewing margin exposure to analyzing liquidity and market depth in specific instruments, the risk management function safeguards client and corporate interests.

Peder Boysen, Hanna Kristin Thoroddsen, Henrik Villberg



LOOKING AHEAD

2006

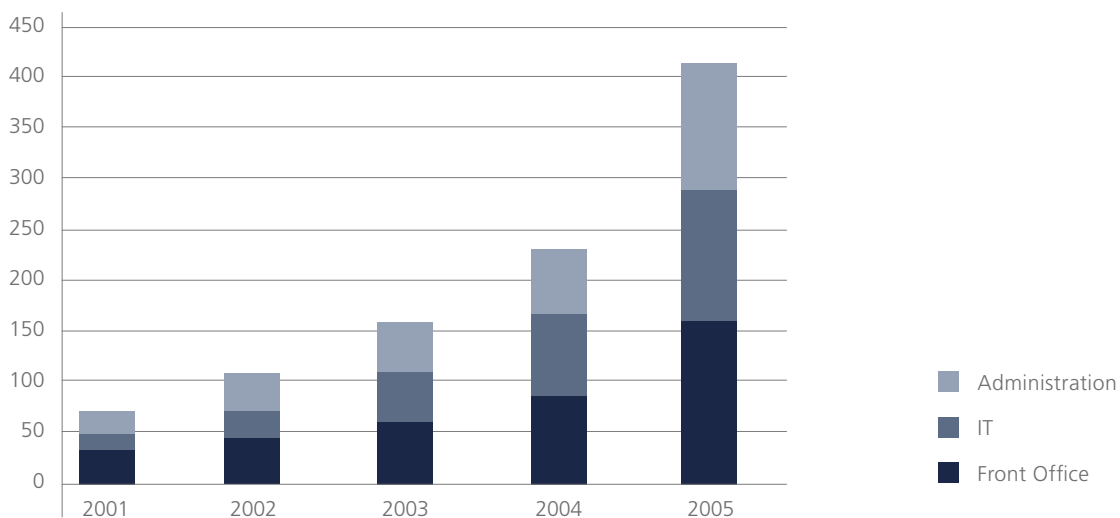
The coming year will build on the achievements attained during the last several years.

Product expansion, marked by the full launch of the next generation version of SaxoTrader and the Saxo WebTrader, combined with expanded product coverage and trading functionalities.

Managed growth, combined with a thoughtful, commercially rational perspective on new opportunities, has steered and will continue to direct the

organization's program of advanced online trading solutions. Constant developments in technology and value-added service translate directly into client advantages, both for direct trading partners and white label relationships. This growth across each of the bank's marketplace segments finds a unifying and sustainable engine in the Saxo Bank model of facilitation.

DISTRIBUTION OF EMPLOYEES 2001-2005



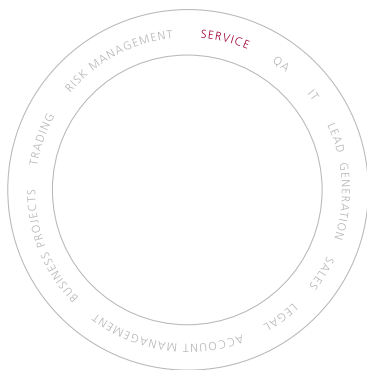
By the end of 2005, the number of skilled IT professionals accounted for almost one third of the total workforce, reflecting the bank's continued investment in technology.



CUSTOMER SERVICE

Saxo Bank prides itself on delivering first class customer service. The ability to build relationships with clients and partners alike forms the cornerstone of our approach to business. We strive to continually improve and streamline our processes, to improve the quality of the service we deliver. This is done via the cooperation of our teams of experienced and committed individuals in service functions in cash management, customer service or partner support - all are passionate about their commitment to service.

Maria Jelen, Julie Taylor, Ayumi Ike Tvilling, Anja Nielsen, Ashraf Agha, Maria Andersen



FINANCIAL REVIEW

Saxo Bank reported a profit after tax of Dkr. 158 million, which represents a healthy increase of 45% from the Dkr. 109 million profits after tax reported in 2004. The result was in line with management's expectations. Operating income during 2005 reached a record Dkr. 636 million, compared to Dkr. 459 million during 2004. This 39% year-on-year increase in operating income reflected consistent growth in the bank's foreign exchange trading business as well as the firm establishment of the bank's online investment trading capabilities across other capital markets products: traditional stocks, CFDs and futures.

Trading volumes across all products reflected the underlying growth of the bank's core business with investment trading activities and related earnings within the CFD and futures markets contributing with 150% and 132% year-on-year growth respectively. Trading income from foreign exchange trading activities continued to grow across all client segments with total trading volumes reaching in excess of EUR 725 billion for the year.

The total number of client accounts engaged by the bank increased by 78% during the year. The bank increased client engagements secured through its white label partnerships by 107%, through partnerships with Introducing Brokers by 71% and through direct sales efforts by 49%.

Client cash deposits increased from Dkr. 2.2 billion to Dkr. 3.4 billion, while the value of clients' assets held with the bank increased by 48% to Dkr. 3.7 billion. Total assets for the bank also increased from Dkr. 2.8 billion to Dkr. 4.3 billion, an increase of 52% during the year.

Operating costs for the year were Dkr. 415 million, an increase of 39% from the previous year. The bank invested heavily in personnel, technology development, and client - and partner - driven marketing campaigns. The bank increased the number of employees by 144 during 2005, adding expert, skilled resources throughout the front line

sales and client, partner service functions, as well as increasing the level of resources within the critical IT development and operational areas.

BALANCE SHEET, SOLVENCY AND EQUITY

During 2005, GA Partners became a 25% shareholder. In the transaction, the capital was increased by a net of 7.8 million shares, and an extraordinary dividend of Dkr. 437 million paid out to shareholders.

As a result of the GA Partners participation in the shareholding of the bank, two new board members were elected to the Board during 2005, while one member left the Board at the same time.

The Board proposes to the annual general meeting of shareholders that Dkr. 52 million of the profit after tax is distributed as dividend to the shareholders, and Dkr. 106 million is allocated to the shareholders' equity, bringing the total shareholders' equity including the proposed dividend to Dkr. 336 million at the end of 2005, compared to Dkr. 214 million a year earlier.

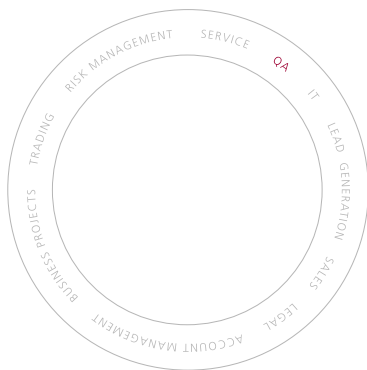
The bank's solvency ratio was 14.6% at the end of the financial year, comfortably above the minimum obligatory requirement, and sufficient enough to support the increased level of traded exposures brought about by growth in overall trading activities.



QUANTITATIVE ANALYSIS

Business intelligence, knowledge discovery and decision making across the entire value chain is based on the data structures developed by our Quantitative Analysis team. The team delivers key data to in-house users, guarantees the integrity of our trading database, and ensures that all of the information we pass along to our clients is reliable and understandable.

Anna Szymkowiak-Have, Gabriela Mariel Maletti, Jeffrey Todd Lins, Jonas Lundbek Hansen



Since the balance sheet date, the bank has taken a subordinated loan of EUR 10 million through FIH Erhvervsbank A/S, a Danish financial institution.

FINANCIAL RISKS

The bank continues to operate with efficient market making functions in support of the bank's overall offering to clients and partners for foreign exchange and CFD investment trading operations. All other traded instruments are supported on the bank's on-line, investment trading platform on a fully hedged basis in compliance with the prevailing operating mandate issued to management by the Board.

During the year, the Board has approved regulated increases in the bank's overall risk parameters for foreign exchange related investment trading, in response to continued growth in overall trading volumes.

The bank continues to focus on maintaining an effective balance between the size and nature of market risks undertaken, and the overall capacity of the bank to actively monitor, control and mitigate those risks.

Further enhancements within the bank's risk management control and reporting systems have been implemented under the guidance of the risk management function during 2005. The bank's deployment of Value-at-Risk (VaR) based risk measurement methodologies and enhanced, real-time risk exposure management tools have thereby been further improved.

CREDIT RISK

Credit risk is defined as the risk that counterparts of the bank will fail to fulfil their agreed obligations and that pledged collateral will not cover the bank's claim.

Credit risk in the bank arises due to a counterpart's loss on margin trading, as the bank does not engage in normal lending activities. The risk is monitored on a real-time basis automatically and manually, with the execution of stop-outs in due time to avoid any credit situation. Further details on the bank's credit risk are shown on page 42 of the Annual Report.

MARKET RISK

Market risk is defined as the risk of loss due to movements in market values as a result of general or specific movements in financial market variables, such as interest rates, foreign exchange rates, equity prices and commodity prices.

Market risk in the bank is monitored using different models, for instance Value-at-Risk models, that calculate risk on the bank's exposures across different products and specific instruments on a daily and real-time basis. The bank operates within specific limits per product and instrument set by the Board. Risk exposure is mainly in FX (Spot, Forwards and Options) and in equities (CFDs). Other exposures are generally fully hedged. The bank's exposure to interest rate risk is very limited. Further details on the bank's market risk are shown on pages 43 to 46 in the Annual Report.

LIQUIDITY RISK

Liquidity risk is defined as the risk of only being able to meet liquidity commitments at increased cost or, ultimately, being unable to meet obligations as they fall due.

Liquidity risk management focuses on short-term liquidity risk, as well as long-term structural liquidity risk. The bank's non-lending policy, as well as its policy of placing the majority of excess cash in short term bonds, secures the bank's ability to meet all obligations as they fall. The bank monitors this on a regular basis and aims to always maintain a positive, stable funding.

OPERATIONAL RISK

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation resulting from inadequate or failed internal processes, people and systems, or from external events including legal and compliance risks.

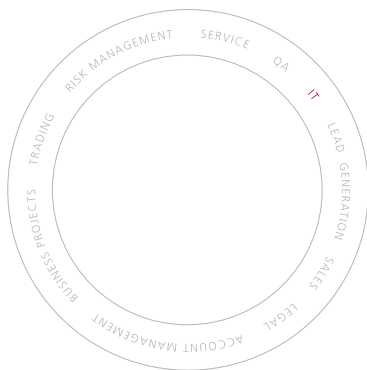
Operational risks are inherent in all activities within the organization, and in all interaction with external parties. The bank monitors operational risk through internal controls and quality management on an ongoing basis, working from a risk-management framework with skilled personnel.



IT

The Bank's IT group is more than one-third of the firm's professional staff with specialists in Front End systems, Data Management, Back Office and Risk Management, Software Programming, Operations, and other areas of expertise specific to the capital markets industry. Pictured above is the B2B team.

Karsten Strøbæk, Michael Bodenhoff, Michael Stampe, Kurt Schmidt, Martin Wittrock, Ole Stauning



FINANCIAL OUTLOOK FOR 2006

The bank plans for continued growth during 2006 with emphasis on greater market share, enhanced product and service offerings, and increased revenues through a well balanced program of product innovation, expert facilitation and better distribution capabilities.

Through close co-operation with partners, liquidity counterparts and clients across key market segments, including the retail investor community, white label and introducing broker partnerships, wealth management and institutional traders, management has prescribed focused business strategies for securing growth targets in new client accounts, trading volumes, operating income and underlying shareholder value.

Initiatives include plans to launch the next generation of the bank's unique, multi-product online investment trading platform, supplementing that offering with a newly designed, web-based trading platform, Saxo WebTrader, targeting the retail investor community.

The bank has also planned for increased investment in infrastructural, personnel and technology development during 2006, with the main effort focused on the establishment of the bank's additional centres of sales and client service functions in London and Singapore.

The plan for the subsidiary I.I. Real Estate A/S, holding the bank's present domicile, is to continue the rental business, which is expected to make a profit as in 2005. The subsidiary Saxo Soft A/S, operating the bank's software development activities in St. Petersburg, is in the process of taking over part of a new property and is expected to further increase development activities for the bank during 2006, and turn the loss in 2005 into a small profit.

Accordingly, the bank expects increased profits on ordinary activities for 2006, where operating income is expected to reflect steady growth across client, product and market segments. Operating costs will reflect the bank's continued commitment for investment in personnel, technology, products and services.

POST BALANCE SHEET EVENTS

In February 2006, the bank raised additional subordinated capital through a EUR 10 million 8-year subordinated loan issued to the bank by FIH Erhvervsbank A/S. The loan was issued for the bank to accommodate expected, continued growth in client business, trading volumes and related trading exposures, and to ensure that the bank remains in full compliance of regulatory capital requirements.

No other events occurring after the balance sheet date have had any significant influence on the financial position of the bank.

BOARD OF DIRECTORS

Two new members were elected to the Board during 2005, while one member left the Board. The present Board is expected to continue, and to be supplemented by an additional new member.

ANNUAL GENERAL MEETING

The bank's annual general meeting will be held at 3.00 p.m. on Tuesday March 7th, 2006 at Smakkedalen 2, DK-2820 Gentofte.

SHAREHOLDER INFORMATION

The following shareholders have registered shareholdings of more than 5% of the bank's share capital:

Internet Invest Holding A/S, Smakkedalen 2, DK-2820 Gentofte.

GA European Investments Limited, Papyros Building, 6 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus.

MANAGEMENT STATEMENT

STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and Executive Management have considered and approved the annual report for 2005 for Saxo Bank A/S.

The annual report has been prepared in accordance with the Danish Financial Business Act. In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the company's assets, liabilities and financial position, and the result of the operations for the financial year 2005.

The annual report 2005 is submitted for the approval of the Annual General Meeting.

Copenhagen, 22nd February 2006

EXECUTIVE MANAGEMENT

Lars Seier Christensen

Kim Fournais

BOARD OF DIRECTORS

Henrik Thufason

Chairman of the Board

Florian Wendelstadt

Vice Chairman of the Board

Teddy Kær Jacobsen

John Korsø Jensen

Jonathan Craig Korngold

Henning Skovlund Pedersen

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SAXO BANK A/S

We audited the annual report of Saxo Bank A/S for the financial year 1 January – 31 December 2005, prepared in accordance with the Danish Financial Business Act.

The annual report is the responsibility of the company's Board of Directors and Executive Management. Our responsibility is to express an opinion on the annual report based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with Danish auditive standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Executive Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any qualification.

OPINION

In our opinion, the annual report gives a true and fair view of the Company's financial position at 31 December 2005 and of the results of its operations for the financial year 2005 in accordance with the Danish Financial Business Act.

Copenhagen, 22nd February 2006

KPMG C.Jespersen

Statsautoriseret Revisionsinteressentskab

Henrik O. Larsen

State Authorised Public Accountant

Lars Rhod Søndergaard

State Authorised Public Accountant

ACCOUNTING POLICIES

GENERAL

The annual report for 2005 has been prepared in accordance with the Danish Financial Business Act, the Danish executive order on financial reports for credit institutions and investment companies, etc., and guidance issued by The Danish Financial Supervisory Authority.

In 2005, the bank has made a few adjustments to the accounting policies applied, owing to the new Danish executive order on the presentation of financial statements.

Proposed dividends are now recognized as a separate reserve in shareholders' equity until approval of the dividend at the general meeting. Consequently, shareholders' equity has been increased by DKr. 36,102 thousand at 1 January 2005 and other liabilities have been reduced similarly. As of 31 December 2005 proposed dividend of DKr. 52,171 thousand for 2005 is included as a separate reserve in shareholders' equity. The change does not affect the profit and loss account and total assets and liabilities for 2005.

The accounting policies concerning the measurement of derivative financial instruments and bonds have been changed as of 1 January 2005. Financial instruments and bonds are measured at closing price on the balance sheet date, and a reservation is made for any difference between sales and mid prices. Previously, financial instruments and bonds were measured at the average market value (mid prices) on the balance sheet date. Following the change, the shareholders' equity has been reduced by DKr. 230 thousand as of 1 January 2005 while the profit for 2005 has been increased by DKr. 138 thousand. Moreover, the change has resulted in an increase of other assets as of 31 December 2005 of DKr. 11 thousand and an increase of other liabilities of DKr. 103 thousand.

In 2005, the bank also made a few changes to the presentation and naming of financial items with a view to adopting the amended executive order. Leasehold improvements, which were previously recognized as intangible fixed assets, are now presented as tangible fixed assets. Tax payable and deferred tax, which previously was recognized as other assets, is presented as separate items.

To reflect the activities of the bank appropriately the net interests, fees, commissions and price and exchange rate adjustments are stated in a new subtotal in the profit and loss accounts, referred to as Operating income.

Comparative figures, financial highlights and ratios and key figures have been adjusted in accordance with the above changes, with the exception of the adjustment regarding financial instruments and bonds.

The accounting policies are apart from the above unchanged compared to last year.

With reference to section 137(1) of the Danish executive order on the presentation of financial statements for credit institutions and investment companies, etc. the bank does not prepare consolidated accounts since the bank's parent company, Internet Invest Holding A/S, Gentofte (company registration number 18 05 97 70), prepares consolidated accounts.

FOREIGN CURRENCY EXCHANGE

The functional currency of the bank is Danish kroner (DKr.).

Any transaction, which has been made in another currency than the functional currency of the bank, is translated at the exchange rates at the transaction date. Monetary items in any different currency are translated at the closing price of the currency at the balance sheet date.

Realized and unrealized gains and losses are recognized in the profit and loss account as financial items.

INTEREST AND COMMISSION

Interest revenues and interest expenses, commission and premiums on forward transactions are accrued over the lifetime of the transactions. Dividends, fees and other commission revenue are recognized as income when received.

LOANS AND ADVANCES

Loans and advances are measured at the amortized cost price. The bank evaluates continuously and on the balance sheet date whether there is any evidence of impairment in the value of loans and advances. If there is evidence of impairment, the relevant loan or advance is written down, if the book value exceeds the present value of the expected future payment on the loan or advance.

PARTICIPATING INTEREST IN AFFILIATED UNDERTAKINGS

Participating interest in affiliated undertakings comprise shares in subsidiaries. The participating interests are recognized and measured in accordance with the equity method, calculated in accordance with the bank's accounting policies. The aggregate of the participating interests' pre-tax profit is recognized in the profit and loss account as "Result of participating interests in affiliated undertakings". Tax in the affiliated undertakings is recognized in the profit and loss account under "Tax".

The book value of participating interest in affiliated undertakings is revalued or written down with the parent company's proportional share of the profits or losses for

the year, and any adjustment of the book value of the affiliated undertakings being recognized as a change in capital in the affiliated undertakings. The net revaluation is transferred to reserve for net revaluation according to the equity method.

INTANGIBLE AND TANGIBLE FIXED ASSETS

Intangible and tangible fixed assets are recognized at cost, less any accumulated depreciation, amortization and write-downs.

Costs of in-house software development, which are clearly defined and identifiable, are recognized as intangible assets provided they provide a proven and anticipated financial benefit in future.

Domicile property is measured at revalued value representing the fair value at the time of revaluation, less any subsequent, accumulated depreciation and loss owing to impairment.

The intangible and tangible fixed assets are amortized and depreciated on a straight-line basis over the estimated useful life. Amortization and depreciation periods are as follows:

Software	3-5 years
Buildings	50 years
Leasehold improvements	5 years
Fixtures, equipment and vehicles	5 years
IT equipment	3 years

Intangible and tangible fixed assets are measured annually to determine any indication of impairment. Impairment is recognized if the asset's recoverable amount is less than the book value following any depreciation or amortization.

Depreciation, amortization and impairment losses are recognized in the profit and loss account.

SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Purchases and sales of financial assets are accounted for on the trade date.

Securities are measured at the fair value at the balance sheet date. Listed securities are recognized at officially quoted prices. Value adjustments of securities are recognized in the profit and loss account.

Derivative financial instruments (open spot transactions, forward exchange transactions, futures and options, etc.) are measured at fair value which is determined on the basis of the closing prices at the balance sheet date.

For matching positions mid prices are applied as the basis for settling the fair value of the matching position and the purchase and sales prices on the open net position, respectively.

Derivative financial instruments with a positive fair value are recognized as "Other assets" while instruments with a negative fair value are recognized as "Other liabilities".

Net premiums on forward transactions related to foreign exchange and securities are stated on an accrued basis and disclosed in the profit and loss account as interest revenue.

Changes in fair value are disclosed in the profit and loss account under "Price and exchange rate adjustments".

PROPOSED DIVIDEND

The Board of Directors' proposal for a dividend for the year is included as a separate reserve in shareholders' equity. When the general meeting has adopted the proposal the dividend is recognized as a liability.

WARRANTS

The bank's schemes are established prior to 1 January 2004; hence, they are subject to unchanged accounting policies. The estimated market value of warrants issued to the bank's employees was recognized in the profit and loss account as staff costs at the time of issue and recognized in the equity capital.

Any similar, future scheme will be recognized as cost in the profit and loss account for the relevant vesting period. At the same time, a corresponding increase will be recognized in the equity capital.

TAX

As of 1 January 2005, the bank is taxed jointly with the parent company and Danish subsidiaries. The joint taxation involves allocation between jointly taxed Danish companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax for the year, changes in deferred tax, and adjustments regarding previous years, and is recognized in the profit and loss account except tax related to changes in equity.

Changes in deferred tax owing to a change in tax rates are recognized in the profit and loss account.

Deferred tax is calculated on timing difference between the profit for accounting and tax purposes.

Profit and Loss Account

(DKr. '000)	Note	2005	2004
Interest receivable	1	245,196	177,103
Interest payable	2	-132,052	-90,090
Net interest receivable		113,144	87,013
Fees and commissions receivable		177,886	95,659
Fees and commissions payable		-390,732	-272,955
Net interest, fees and commissions receivable		-99,702	-90,283
Price and exchange rate adjustments	3	735,763	549,387
Operating income		636,061	459,104
Other ordinary income	4	1,535	856
Staff costs and administrative expenses	5	-395,218	-284,064
Depreciation and amortization of intangible and tangible assets	6	-18,794	-14,380
Other ordinary charges		-422	-599
Loss and provisions for bad debts	7	-122	-383
Result of participating interests in affiliated undertakings		-121	295
Profit on ordinary operations before tax		222,919	160,829
Tax	8	-64,826	-51,428
Net profit for the financial year		158,093	109,401

Proposed allocation of Profits

Proposed dividend for the year	52,171	36,102
Proposed allocation to retained earnings	105,922	73,299
Total allocation	158,093	109,401

Balance Sheet as at December 31

(DKr. '000)	Note	2005	2004
ASSETS			
Cash in hand and demand deposits with central banks		142	98
Receivables from credit institutions and central banks	9	1,235,826	514,785
Loans and advances at amortized costs	10	121,317	102,581
Bonds at fair value	11	2,203,818	1,712,051
Equities		6,297	16
Participating interest in affiliated undertakings	12	874	1,071
Intangible assets	13	25,543	7,804
Tangible assets	14	37,093	25,831
Tax receivables		10,188	0
Other assets		640,096	448,824
Prepayments		7,406	3,629
Total assets		4,288,600	2,816,690
SHAREHOLDERS' EQUITY AND LIABILITIES			
Debt to credit institutions and central banks	15	22	34,269
Deposits	16	3,391,959	2,162,190
Company tax		0	7,539
Other liabilities		478,790	320,747
Total debts		3,870,771	2,524,745
Provisions for deferred tax	17	7,014	2,256
Other provisions		320	1,429
Total provisions		7,334	3,685
Subordinated loan	18	74,614	74,375
Shareholders' equity			
Share capital		54,286	46,410
Share premium account		0	2,527
Other reserves		437	437
Proposed dividend		52,171	36,102
Retained earnings		228,987	128,409
Total shareholders' equity		335,881	213,885
Total shareholders' equity and liabilities		4,288,600	2,816,690
Contingent and contractual liabilities	19		
Related parties	20		

Changes in Capital

SHAREHOLDERS' EQUITY (DKr. '000)	Share Capital	Share Premium Account	Other Reserves	Proposed dividend	Retained Earnings	Total
Shareholders' equity 1st January 2004	45,219	410	444	0	55,340	101,413
Changes in accounting policies applied:						
Proposed dividends for 2003				14,923		14,923
Restated shareholders' equity 1st January 2004	45,219	410	444	14,923	55,340	116,336
Net profit for the year					73,299	73,299
Dividend paid for 2003				-14,923		-14,923
Capital increase through exercise of warrants	1,191	2,117				3,308
Repurchase of warrants			-7			-7
Shareholders' equity 1st January 2005	46,410	2,527	437	0	128,639	178,013
Changes in the accounting policies applied:						
Proposed dividends for 2004				36,102		36,102
Value of financial instruments					-230	-230
Restated shareholders' equity 1st January 2005	46,410	2,527	437	36,102	128,409	213,885
Exchange rate adjustment, affiliated undertakings					5	5
Net profit for the year					105,922	105,922
Dividend paid for 2004				-36,102		-36,102
Proposed dividend for 2005				52,171		52,171
Increase in the share capital	13,783				714,967	728,750
Decrease in the share capital	-5,907				-285,593	-291,500
Extraordinary dividend paid					-437,250	-437,250
Transfer of Share premium account		-2,527			2,527	0
Shareholders' equity 31st December 2005	54,286	0	437	52,171	228,987	335,881

The share capital has been increased by 7,876,127 shares with a nominal value of DKr. 1,00 in 2005.
The share capital now consists of 54,286,141 shares with a nominal value of DKr. 1,00.
The bank has issued 13,783,223 Preference shares and 40,502,918 Ordinary shares.

The bank has issued warrants to the bank's employees as follows:

Year of issue	Amount Issued	Exercised/ Expired	Outstanding	Strike Price	Expiry
2002	744,750	0	744,750	2.78	2006
2003	102,000	0	102,000	5.28	2007
Total	846,750	0	846,750		

Changes in Capital

SOLVENCY (DKr. '000)	2005	2004
Shareholders equity	335,881	213,885
Deductions:		
Intangible assets	-25,543	-7,804
Proposed dividend	-52,171	-36,102
Core capital less statutory deductions	258,167	169,979
Subordinated loan	74,614	74,375
Base capital	332,781	244,354
Capital requirement 8% of total weighted items	181,804	67,863
Weighted items not included in traded portfolio	441,182	191,363
Weighted items with market risk included in traded portfolio	1,831,369	656,920
Total weighted items	2,272,551	848,283
Core capital ratio	11,4%	20,1%
Solvency ratio	14,6%	28,8%

Credit Risk

LOANS, ADVANCES AND GUARANTEES BY SECTOR AND INDUSTRY	2005	2004
Credit, finance and insurance	91%	95%
Property and trading administration, business service	2%	1%
Total corporate sector	93%	96%
Private customers	7%	4%
Total	100%	100%
CREDIT RISK, DERIVATIVE FINANCIAL INSTRUMENTS		
(DKr.'000)		
Positive market value, counterparty with risk weighted of 20%	186,014	110,690
Positive market value, counterparty with risk weighted of 100%	317,239	219,120
Total credit risk, derivative financial instruments	503,253	329,810
Provisions against loans, advances and guarantees as at December 31	757	727

Market Risk

(DKr. '000)	2005	2004
Exchange rate indicator 1	1,278,259	901,121
Exchange rate indicator 1 as percentage of core capital	495.1%	529.4%
Exchange rate indicator 2	40,208	10,852
Exchange rate indicator 2 as percentage of core capital	15.6%	6.4%
Interest rate risk		
Total interest risk on loans etc.	4,820	3,692
Interest rate risk broken down by currency		
DKK	379	469
USD	4,308	604
EUR	3,337	2,668
JPY	-273	-80
GBP	-1,973	-35
CHF	-475	166
Other	-483	-100

Market Risk

DERIVATIVE FINANCIAL INSTRUMENTS (DKr. '000) / Specified by remaining life as at December 31

	3 months and below		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years	
	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value
Currency contracts								
Forwards/futures bought	12,202,574	32,758	699,311	(1,674)	-	-	-	-
Forwards/futures sold	12,714,945	64,144	853,556	(667)	-	-	-	-
Options bought	3,912,159	31,745	918,265	22,400	-	-	-	-
Options written	2,882,893	(19,448)	138,378	(2,144)	-	-	-	-
Interest rate contracts								
Forwards/futures bought	2,223,121	4,507	1,120,553	(4,120)	31,475	(2)	-	-
Forwards/futures sold	2,223,758	(4,110)	1,119,633	2,202	31,475	2	-	-
Options bought	9,858	706	-	-	-	-	-	-
Options written	9,858	(706)	-	-	-	-	-	-
Equity contracts								
Forwards/futures bought	3,112,940	81,595	7,489	56	-	-	-	-
Forwards/futures sold	3,155,622	(46,272)	7,517	(18)	-	-	-	-
Options bought	26,397	17	3,653	149	-	-	-	-
Options written	26,312	(17)	3,653	(149)	-	-	-	-
Commodity contracts								
Forwards/futures bought	238,617	1,800	36,365	3,055	766	200	-	-
Forwards/futures sold	239,957	31	36,047	(2,985)	785	(193)	-	-
Options bought	-	-	-	-	-	-	-	-
Options sold	-	-	-	-	-	-	-	-

Market Risk

DERIVATIVE FINANCIAL INSTRUMENTS (DKr. '000)

	2005		2004		2005		2004	
	Notional amount	Net market value	Notional amount	Net market value	Market value		Market value	
					Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	12,901,885	31,083	7,323,293	51,179	93,382	62,298	94,741	43,563
Forwards/futures sold	13,568,501	63,477	7,093,118	23,234	157,405	93,928	90,641	67,407
Options bought	4,830,423	54,145	6,155,833	88,006	54,145	-	88,006	-
Options written	3,021,271	(21,592)	4,496,961	(74,617)	-	21,592	-	74,617
Interest rate contracts								
Forwards/futures bought	3,375,149	386	232,947	577	5,115	4,729	845	268
Forwards/futures sold	3,374,865	(1,907)	232,822	(347)	2,575	4,482	199	546
Options bought	9,858	706	149,583	1,115	706	-	1,115	-
Options written	9,858	(706)	149,583	(1,115)	-	706	-	1,115
Equity contracts								
Forwards/futures bought	3,120,430	81,651	1,039,213	20,045	120,197	38,546	23,204	3,159
Forwards/futures sold	3,163,139	(46,290)	1,078,282	7,459	59,726	106,017	27,697	20,238
Options bought	30,050	166	45,489	228	166	-	228	-
Options written	29,965	(166)	45,489	(228)	-	166	-	228
Commodity contracts								
Forwards/futures bought	275,748	5,055	124,479	(329)	7,291	2,236	939	1,268
Forwards/futures sold	276,788	(3,147)	125,204	883	2,539	5,685	1,741	859
Options bought	-	-	14,108	453	-	-	453	-
Options sold	-	-	8,085	(259)	-	-	-	259
Total		162,861		116,285	503,247	340,385	329,809	213,527

Market Risk

UNSETTLED SPOT TRANSACTIONS (DKr. '000)

	2005		2004		2005		2004	
	Notional amount	Net market value	Notional amount	Net market value	Market value		Market value	
Currency contracts								
Foreign exchange transactions bought	6,070,464	(6,726)	3,727,434	46,497	19,337	26,063	57,532	11,035
Foreign exchange transactions sold	5,181,986	85,502	4,173,453	22,695	89,536	4,034	48,655	25,960
Total	11,252,450	78,776	7,900,887	69,192	108,873	30,097	106,187	36,995

Notes to the Profit and Loss Account

NOTE (DKr. '000)	2005	2004
1 Interest receivable		
Receivables from credit institutions and central banks	48,060	46,785
Loans and advances	44,482	29,753
Bonds	48,128	24,063
Derivative financial instruments	104,283	76,502
Other interest income	243	0
Total interest receivable	245,196	177,103
2 Interest payable		
Credit institutions and central banks	-43,489	-25,480
Deposits	-64,674	-51,425
Subordinated loan	-3,528	-3,501
Derivative financial instruments	-20,313	-9,684
Other interest payable	-48	0
Total interest payable	-132,052	-90,090
3 Price and exchange rate adjustments		
Bonds	-1,538	-661
Foreign exchange	647,431	509,635
Derivative financial instruments	89,870	40,413
Total price and exchange rate adjustments	735,763	549,387
4 Other ordinary income		
Gain on disposal of tangible assets	330	641
Reversal of provisions for court cases, prior years	685	112
Administrative services	116	103
Rent income	173	0
Other	231	0
Total other ordinary income	1,535	856

Notes to the Profit and Loss Account

NOTE (DKr. '000)	2005	2004
5 Staff costs and administrative expenses		
Salaries and remuneration of Board of Directors and Chief Executive Officers		
Chief Executive Officers	-22,461	-18,045
Board of Directors	-716	-696
Total	-23,177	-18,741
Staff costs		
Salaries	-205,435	-157,012
Pensions	-10,041	-2,095
Social security expenses	-20,750	-16,656
Total	-236,226	-175,763
Other administrative expenses	-135,815	-89,560
Total staff costs and administrative expenses	-395,218	-284,064
Number of employees		
Average number of employees during the financial year converted into full-time employees	318	239
Audit Fees		
Total fee to the auditors elected by the general meeting to perform the statutory audit	3,821	2,761
Hereof fees for other services than audit	2,575	1,506
6 Depreciation and amortization of intangible and tangible assets		
Intangible assets	-4,281	-3,685
Tangible assets	-14,513	-10,695
Total depreciation and amortization of intangible and tangible assets	-18,794	-14,380
7 Loss and provisions for bad debt		
Loss and provisions for the financial year	-305	-525
Adjustment of prior year's provision	105	142
Other	78	0
Total loss and provisions for bad debt	-122	-383

The provision for impairment of loans and advances is based on an individual assessment.
No impairment loss has been recognised on portfolio basis.

Notes to the Profit and Loss Account

NOTE (DKr. '000)	2005	2004
8 Tax		
Taxation on profit for the year	-60,063	-49,774
Deferred tax	-4,758	-1,646
Adjustment of prior year's taxation	-5	-8
Total taxation for the year	-64,826	-51,428
Tax paid during the year	77,661	43,679
Effective tax rate	29,1%	31,9%
Current tax rate	28%	30%
Tax payable on profit for the year	-62,417	-48,249
Non tax-deductible expenses	-2,368	-2,003
Change in deferred tax, change in tax rate	80	0
Tax related to interest in affiliated undertakings	-116	-46
Other taxation, incl. adjustment to previous years	-5	-1,130
Total taxation for the year	-64,826	-51,428

Notes to the Balance Sheet

NOTE (DKr. '000)	2005	2004
9 Receivables from credit institutions and central banks		
Claims on credit institutions on demand	1,235,826	514,785
Total receivables from credit institutions and central banks	1,235,826	514,785
10 Loans and Advances		
Loans and advances on demand	121,317	102,581
Including:		
Investment Brokers	1,124	68,240
Clients	91,841	25,250
Affiliated undertakings	28,352	9,091
Total loans and advances	121,317	102,581
Loans and advances, not covered by negative market values of open financial contracts, deposits or other securities, amounts to DKr. 460 thousand.		
11 Bonds		
Quoted on the Copenhagen Stock Exchange	16,632	21,027
Quoted on other exchanges	2,187,186	1,691,024
Total bonds	2,203,818	1,712,051
Average weighted duration is below 6 months.		
12 Participating interest in affiliated undertakings		
Total purchase price, beginning	1,130	630
Additions	0	500
Total purchase price, end	1,130	1,130
Revaluation, beginning	-59	-221
Exchange rate adjustments	5	0
Profit/loss for the year after tax	-202	161
Adjustment	0	1
Revaluation, end	-256	-59
Booked holdings, end	874	1,071

Participating interest in associated companies comprise:

I.I. Real Estate A/S, Gentofte, ownership and voting rights 100%. Activity: Letting of business property.

Profit after tax for the financial year 2005, Dkr. 429 thousand.

Saxo Soft A/S, Gentofte, ownership and voting rights 100%. Activity: Development and sale of software.

Loss after tax for the financial year 2005, Dkr. 631 thousand.

Notes to the Balance Sheet

NOTE (DKr. '000)	2005	2004
13 Intangible assets		
Total purchase price, beginning	20,647	13,336
Additions	22,020	7,311
Disposal	0	0
Total purchase price, end	42,667	20,647
Depreciation and write-down, beginning	12,843	9,158
Depreciation for the year	4,281	3,685
Reversal of depreciation and write-down	0	0
Depreciation and write-down, end	17,124	12,843
Booked value, end	25,543	7,804
14 Tangible assets		
Total purchase price, beginning	47,353	32,561
Additions	28,719	17,651
Disposals	3,726	2,859
Total purchase price, end	72,346	47,353
Depreciation and write-down, beginning	21,522	12,729
Depreciation for the year	14,513	10,695
Reversal of depreciation and write-down	782	1,902
Depreciation and write-down, end	35,253	21,522
Book value, end	37,093	25,831
15 Debt to credit institutions and central banks		
Debt to credit institutions on demand	22	34,269
Total debt to credit institutions and central banks	22	34,269
16 Deposits		
Deposits on demand	3,391,959	2,162,190
Total deposits	3,391,959	2,162,190

Notes to the Balance Sheet

NOTE (DKr. '000)	2005	2004
17 Provisions for deferred tax		
Provisions for deferred tax, beginning	2,256	610
Additions	4,758	1,646
Total provision for deferred tax, end	7,014	2,256
Provisions for deferred tax is related to:		
Intangible and tangible assets	6,278	1,841
Provisions for bad debts	-326	-647
Other	1,062	1,062
Total provisions for deferred tax	7,014	2,256
18 Subordinated loan		
7-year loan from Deutsche Bank of EUR 10 million. Is a part of the total core capital. Interest rate is EURIBOR plus 2,5% per annum. Repayable 18. June 2010.	74,614	74,375

Subsequent to the balance sheet date the bank has received a subordinated loan of EUR 10 million from FIH Erhvervsbank, which is repayable in 2014. Interest rate is EURIBOR plus 2.25% p.a. for the first 5 years and EUROBOR plus 4.0% p.a. for the following 3 years. The loan is included in the core capital from the draw down date.

Notes without reference

NOTE (DKr. '000)	2005	2004
19 Contingent and contractual liabilities		
Guarantees		
Danish Guarantee Fund	2,752	1,644
Total guarantees	2,752	1,644
Other liabilities		
Rent commitments, affiliated undertakings	14,139	19,367
Other rental and lease commitments	58,542	22,493
Total other liabilities	72,681	41,860

Subsequent to the balance sheet date the bank has entered into an agreement regarding rent of a new domicile building for 20 years starting in 2008.

Total rent commitment for the 20 years amounts to 850 million DKr.

A proportion of the bank's deposits and bond holdings held with the investment brokers, banks and other credit institutions have been provided as security for the bank's margin requirements arising from the bank's financial trading with these institutions.

20 Related parties

Saxo Bank A/S has not provided any loans, pledges or guarantees to members of the bank's or the bank's parent company's Board of Directors or Chief Executive Officers or to people related to these.

Saxo Bank A/S provides administrative services to the affiliated undertakings Saxo Soft A/S and I.I. Real Estate A/S and to the parent company Internet Invest Holding A/S. Saxo Bank A/S is renting the office premises, Smakkedalen 2, Gentofte, from the I.I. Real Estate A/S and buys services related to development and maintenance of software from Saxo Soft A/S. All transactions and agreements are based on market terms.

The following shareholders have registered as the holder of more than 5% of the share capital of the bank:

Internet Invest Holding A/S, Smakkedalen 2, DK-2820 Gentofte

GA European Investments Limited, Papyros Building, 6 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus

Annual Report 2005

The original Saxo Bank A/S annual report is written in Danish. This is an English translation of the Danish annual report. This report includes illustrative graphs, charts and pie diagrams. The annual report in Danish may be obtained upon request.

