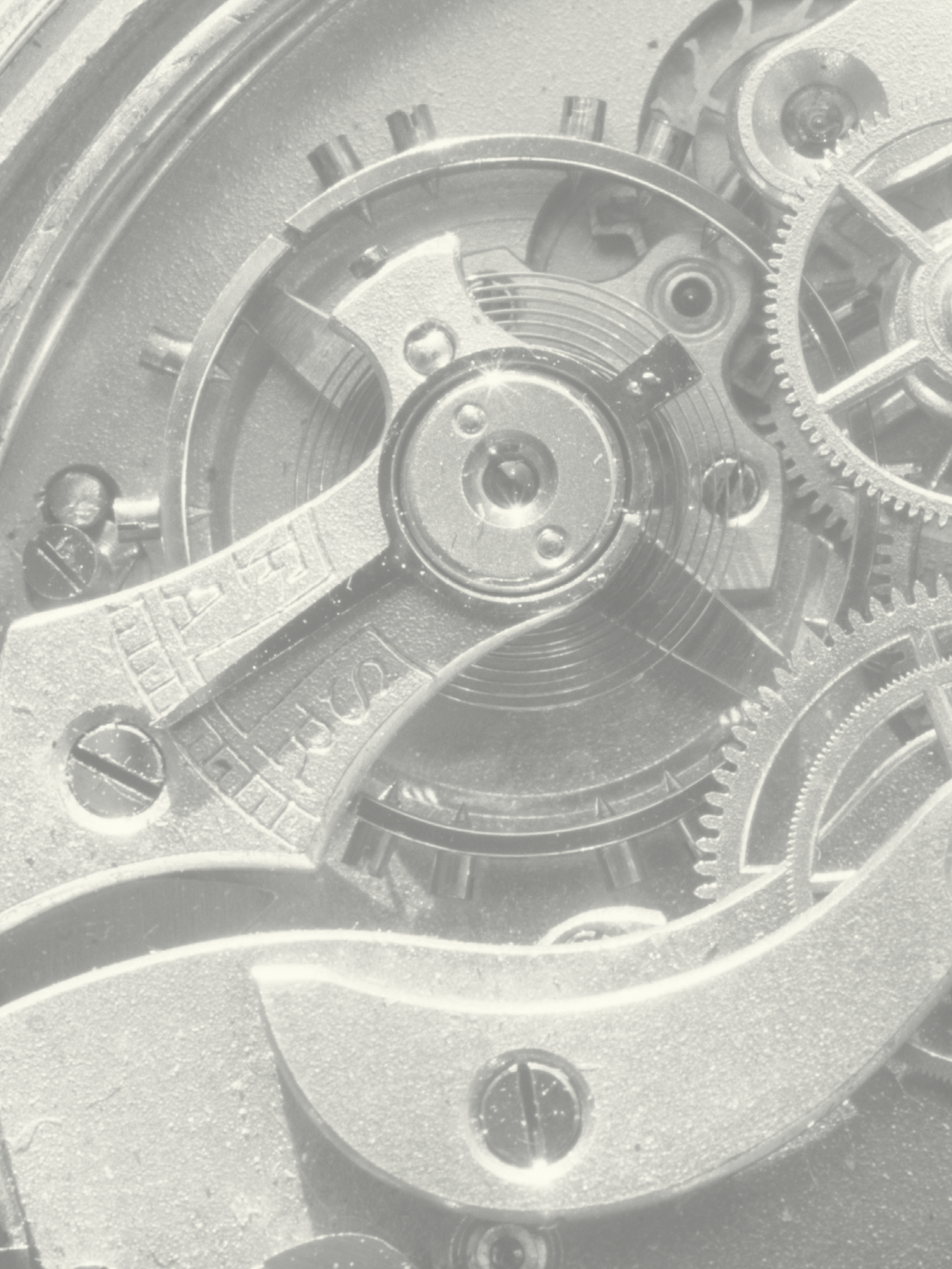
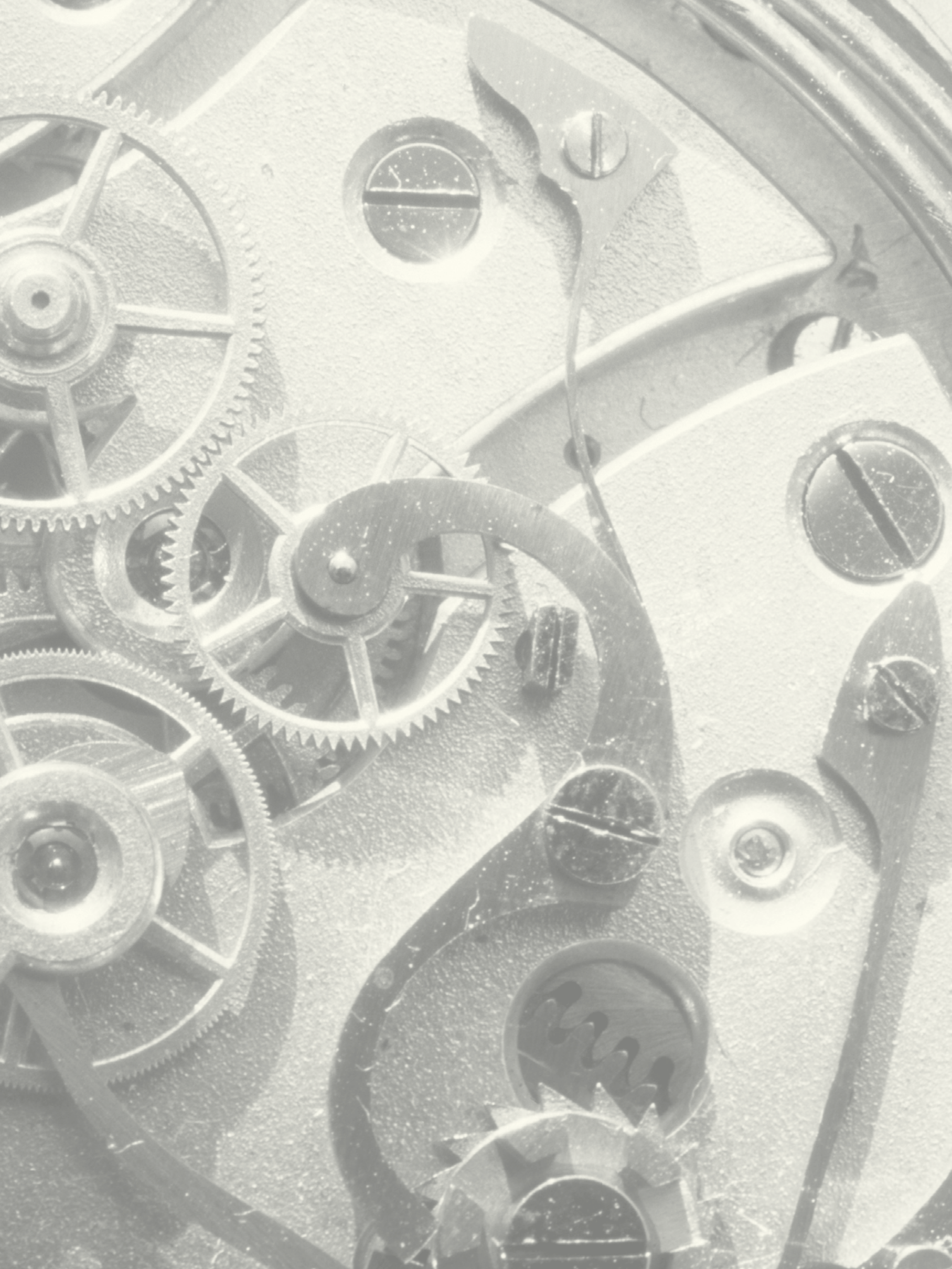


# 2011









# ANNUAL REPORT **2011**



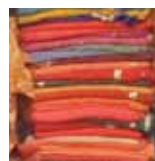
Anytime, Anywhere

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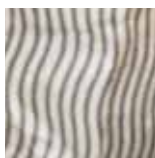
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20:15 Panama

01:15 United Kingdom

02:15 Belgium, Czech Republic, Denmark, France,

03:15 Greece, Cyprus, South Africa

05:15 Dubai, Russia

06:45 India

09:15 **Hong Kong**, Singapore

10:15 Japan

12:15 Australia





Italy, The Netherlands, Spain, Sweden, Switzerland



# MANAGEMENT REPORT





## REVIEW OF THE YEAR

A range of macro incidents impacted the financial markets and marked 2011 as a dramatic year for the industry. The Arab Spring, the earthquake in Japan, the continued debt crisis in the US and EU, the slowdown in world growth and the Eurozone crisis played a major role in investor sentiment throughout 2011.

Saxo Bank has no direct exposure to the Eurozone crisis. However, the general market situation, with growing fear of inflation, slow growth, rising unemployment, debt issues in several parts of the world and challenges to the Eurozone cooperation, reduced investors' risk appetite and put a damper on capital market activities.

The viability of Saxo Bank's business model has consistently been confirmed over recent years. Saxo Bank's response to the challenging market situation has therefore been a continuing focus on business growth through geographical expansion and continued product and platform enhancement.

This approach resulted in a sustained increase in client deposits and assets under management which is the foundation for the Bank's future business and profits. Clients' collateral deposits in Saxo Bank's trading business increased 26% to reach DKK 26.7 billion as of 31 December 2011. Including clients' collateral deposits relating to the trading platform offered by Saxo Bank's retail bank, the increase was 13% from DKK 31.3 billion as of 31 December 2010 to DKK 35.3 billion as of 31 December 2011. Total assets under management in Saxo Bank's asset management business increased 6% from DKK 31.2 billion as of 31 December 2010 to DKK 33.2 billion as of 31 December 2011.

Saxo Bank's operating income increased 6% in 2011 to reach DKK 3.53 billion, compared to DKK 3.34 billion in 2010. As a consequence of the Bank's continued investment in developing the business, staff costs and administrative expenses increased 12%. Thus, net profit was DKK 618 million, down 4% from the previous record year. The

## KEY FIGURES AND RATIOS

### SAXO BANK GROUP

(DKK millions)

	2011	2010	2009	2008	2007
Operating income	3,526.9	3,338.1	2,227.5	2,518.2	1,564.4
Profit before tax	847.9	913.8	269.4	468.6	364.9
Net profit	617.8	643.5	201.4	339.2	275.2
Total equity	3,240.0	2,880.0	2,335.1	1,416.7	1,093.1
Total assets	27,018.2	22,437.7	15,210.5	10,456.1	9,996.2
Clients' collateral deposits	35,275.3	31,296.9	15,513.0	8,717.1	9,180.7
Assets under management	33,170.0	31,170.9	18,963.0	-	-
Solvency ratio (Pillar I)	14.5%	16.5%	19.0%	17.5%	18.2%
Return before tax on total equity	27.7%	35.0%	14.4%	37.3%	47.8%
Average number of employees	1,413	964	927	1,297	1,011

See page 123 for definitions.

The consolidated figures for 2011 and 2010 are prepared in accordance with International Financial Reporting Standards (IFRS). Consolidated figures for 2007-2009 are prepared in accordance with the Danish Financial Business Act. Comparative figures for 2007-2009 are not restated. The impact on these figures is assessed not to be material.



first half of the year was down 37% compared to 2010, whilst the second half of the year almost trebled.

### **SOLVENCY & ICAAP**

As of 31 December 2011, the solvency ratio for the Group was 14.5% after inclusion of net profit for the year, compared with 16.5% at the end of 2010. The decline in the solvency ratio is partly due to a net decrease in the capital base and partly due to an increase in risk weighted items. The capital base decrease is related to a greater increase in goodwill on acquisitions and investments in IT development than the increase in equity from profit after dividend payments. The risk weighted items increase is due to the standard calculated operational risk.

As of 31 December 2011, the Group's ICAAP result showed a capital requirement of 11.2% of risk weighted items, equivalent to DKK 1.41 billion. Thus, with a capital base of DKK 1.82 billion, the capital buffer was DKK 0.41 billion.

Under Danish law, Saxo Bank A/S must publish the result of its Internal Capital Adequacy Assessment Process (ICAAP) on 31 December 2011. The report is available at [www.saxoworld.com/investorrelations](http://www.saxoworld.com/investorrelations).

### **PRODUCT AND PLATFORM ENHANCEMENTS**

The strategic direction of Saxo Bank aims at broadening and diversifying the product and service offerings to reach a broader international client audience. This goes hand in hand with the ambition to tailor offerings directly to the needs of the clients.

In 2011, Saxo Bank continued its focus on diversification initiatives and the expansion of distribution venues of the Bank, along with a range of product and platform initiatives developed to enhance the user experience for traders and investors.

Reflecting the ongoing development of the platforms and a comprehensive pipeline of new initiatives for the coming

years, Saxo Bank restructured the development and innovation organisation in 2011. The organisational change aims to streamline the focus on product, platform and service offerings as well as to enhance the focus on client experience, community development and proprietary financial content offerings.

### **Product development**

In July, Saxo Bank launched FX binary touch options on its trading platform. A binary touch option is a tool to express opinion about future price movements in particular currency pairs. The full transparency of potential gains and losses before opening a position makes this type of FX option popular with many traders and investors.

Contract options on futures and cash indices were launched in December. Saxo Bank's contract options are aimed at sophisticated retail and professional traders who realise the value in being able to hedge exposure to underlying instruments or enhance portfolio performance by using options.

To support the Bank's strategy of broadening its geographical footprint, an Exchanges On-boarding Team was established in 2011. This resulted in the extension of the Japanese and Polish equity offerings to include stocks, the launch of South African stocks and CFDs for offshore clients and the launch of Czech CFDs in December.

As a response to clients' increasing interest in the Chinese renminbi, Saxo Bank in September began offering trading in the offshore Yuan cross, USDCNH, with live streaming prices up to USD 3 million.

Finally, Saxo Bank expanded the availability of half margin on CFDs to the first EUR 300,000 of a client's funds from EUR 50,000. The S&P volatility index future, the VIX, was also made available for trading by clients.

### **Platform development**

A key strategic product and platform development is the Modern Wealth Management offering. Soft-launched in December, the Saxo Bank London office on-boarded the



first clients to experience the new online wealth management suite tailored to Self-directed Investors. Mutual funds are a key focus of the platform, with more than 2,300 funds available from approximately 80 fund managers. 650 ETFs and 1,500 shares from eight exchanges are also available for online investing, along with Gilts, corporate bonds and certificates issued via RBS.

While no advice is provided, investors are able to seek and receive inspiration through the Ideator tool, which is a model portfolio generator. The portfolios are provided through collaboration with Morningstar, and cater to a number of client profiles based on experience, risk appetite and investment horizons.

Another important diversification initiative launched in 2011 was the SaxoTreasurer platform designed for small and medium-sized enterprises' needs for FX trading and affiliated services. The SaxoTreasurer platform also enables the clients to choose physical delivery of selected currencies.

In November, Saxo Bank enabled its clients to identify and trade Islamic compliant stocks on more than 25 exchanges worldwide. The Bank selected IdealRatings Inc., a leading global Islamic compliant fund management service provider, as a source for identifying Islamic compliant instruments globally. The compliance reasoning is based on commonly accepted Islamic guidelines defined by IdealRatings and Shariah Review Bureau with operations in Bahrain and Saudi Arabia. More than 12,000 stocks and ETFs are screened and researched on a monthly basis by IdealRatings.

Saxo Bank continues to improve and enhance its platforms. As part of these efforts, the new SaxoTrader 2.5 was rolled out in June. The software upgrade contains enhancements of a range of modules, tools and information. An example of this is the new Open Positions module for clients to view and manage positions as well as related orders in one integrated workflow. The Account Toolbar presents account information in a screen-efficient layout and the Ribbon Menu provides an overview of the platform features. Among the new features is an icon set for prod-

uct differentiation as well as a scheme to customise sound alerts for events to create a personalised trading experience. The new SaxoTrader 2.5 version also enables clients to use either default workspaces or manually customise the interface. In addition, Keyboard trading enables clients to configure the keys of their PC keyboard with shortcuts to all main features of SaxoTrader.

In 2010, Saxo Bank launched a new equity module in the WebTrader platform. To further enhance the equity offering and to widen the distribution channel of the equity product suite, Saxo Bank integrated the equity module with the SaxoTrader in 2011, enabling features such as a Stock Screener and Equity Research.

The WebTrader platform was also enhanced this year with faster performance in all main grids, trade tickets and position modules.

In the beginning of 2011, Saxo Bank entered the Apple universe, introducing the first app to its clients. The app, which is designed for iPhone, provides users access to market data, news and research.

In December, Saxo Bank launched a new HTML5-based mobile app offering information and a trading platform designed for the iPhone and Android mobile universes as well as all other relevant mobile devices supporting HTML5 technology. The new release enables clients to trade on all mobile devices and tablets.

While over the years Saxo Bank has primarily offered its proprietary software, 2011 marked the first implementation of third-party trading software represented by the MetaTrader (MT4) trading application. In July, Saxo Bank took the first step towards offering the MT4 trading platform to its clientele, when Saxo Bank and Leverage announced a strategic partnership in which Saxo Bank acquired 25% of Leverage. Leverage offers a full turnkey solution for brokerage companies on the MT4 trading application, from which Saxo Bank can also build its future MT4 offering. Saxo Bank expects to commercialise the MT4 offering in 2012.



### **TradingFloor.com**

In mid-2009, Saxo Bank launched TradingFloor.com as a distribution website for trading commentary, news and analyses. In June 2011, the website was relaunched in a new version which included a number of new functionalities such as user ability to create accounts and a unique user log-in function. The upgraded functionality allows users to create their own customised dashboards, set and save their interests, including following individual blogs and authors, link to their Twitter accounts and to comment on the content.

### **SAXO PRIVATBANK**

The 2010 acquisitions of E\*Trade's Nordic activities and Danish-based Brørup Sparekasse laid the foundation for entering the Danish retail banking segment. During 2011, the companies were merged and restructured. The primary business is continued under the name Saxo Privatbank offering premium private banking services to High Net Worth individuals, while Brørup Sparekasse continues the offering in Jutland to serve the local community and a varied clientele of retail clients and small businesses.

### **ASSET MANAGEMENT**

Late 2010, Saxo Bank strengthened its asset management offering when it established a new specialised Equity team under the name CPH Capital. The initiative was launched to further develop the equity-related service offering tailored to institutional investors. In June 2011, CPH Capital launched its first two funds. The first fund focuses on a global equities portfolio in solid and profitable companies worldwide while the other fund focuses on a global consumer equities portfolio.

Another strategic step in late 2010 was the launch of Saxo Properties. This initiative was taken in order to offer closed-ended funds linked to the Copenhagen-based real estate market to High Net Worth individuals and institutional clients. On the back of a successful launch of the first two property funds, Saxo Properties announced an agreement with the UK real estate investor Resolution

Property in August 2011. The joint venture will focus on offering clients of Resolution Property portfolios based on residential and commercial real estate in the central area of Copenhagen.

Finally, the Luxembourg-based SICAV fund structure, Saxo Invest, was launched in 2011. Saxo Invest offers fund products with a primary distribution channel based on Saxo Bank offices around the world.

### **CORPORATE WEBSITES**

In November, Saxo Bank's new corporate website, SaxoWorld.com, was launched. SaxoWorld.com serves as the overall Saxo Bank Group corporate website and hub for investor relations, the press, other opinion makers and stakeholders, as well as clients and the general public.

Saxobank.com continues as the main commercial website and distribution channel for Saxo Bank's traditional products and services.

### **ACQUISITIONS AND GEOGRAPHY**

Throughout the year, Saxo Bank continued its geographical expansion, opening new offices in several countries through acquisitions and green field setups. Saxo Bank is now present in 21 countries.

#### **Acquisitions**

In 2011, Saxo Bank decided to also focus on the trading segments preferring an MT4 offering and thus acquired 25% of the Israeli company Leverate and 100% of the activities of Lembex Trading and Investment (subject to FSA approval) with licenses and activities out of Malta and with operational resources based in Israel. The MT4 platform and operation will be handled out of Saxo Bank's office in Cyprus.

In order to further strengthen the local presence around the world, Saxo Bank acquired New Street Brokers Ltd in South Africa and Commodity Broking Services Pty Ltd in Australia. In February 2012, Saxo Bank acquired NVN Se-



curities S.A. in Uruguay (subject to FSA approval), with the aim of on-boarding local as well as regional clients.

Saxo Bank also acquired a further 32% of the Danish listed company EuroInvestor and now owns 72%. EuroInvestor is one of the largest investor communities in Europe and has investor portals in Denmark, Sweden, Norway, France, Italy, the Netherlands and England.

### **New offices**

In 2011, Saxo Bank opened new offices in Hong Kong, Belgium, Panama, Russia and Cyprus. The Hong Kong office received its license in January and the Panama office became operational in the spring. The Cyprus office opened in the fall while the new offices in Brussels and Moscow were opened in October.

The geographical expansion is expected to continue and potential locations around the world are in the process of being evaluated. Saxo Bank believes that local presence is an important parameter in the client service offering. Further Saxo Bank offices will be established either through acquisitions or green field setups.

### **UK license**

In response to clients' increased interest in becoming clients of Saxo Bank under UK regulation, Saxo Bank applied to the UK FSA for a Financial Services Firm license.

In October, the application was approved and the London branch became a fully licensed UK subsidiary of Saxo Bank. The license allows Saxo Bank to offer direct accounts with Saxo Capital Markets UK Ltd and the benefits of being onshore and under UK regulation.

### **TRANSPARENCY**

Saxo Bank takes an active role in the effort to bring greater market and product transparency to the online financial services industry.

In April, Saxo Bank began publishing market data from the FX Options over-the-counter (OTC) market. The market data is published three times a day on

TradingFloor.com. This initiative allows traders and investors the possibility to improve their understanding of trading FX as an asset class. Furthermore, the initiative signifies Saxo Bank's position as market maker in the interbank OTC markets. The published information includes ATM volatilities (which show the change in volatility of currency pairs), 25-Delta Risk Reversal (the most widely used parameter in gauging market direction), OTC Volume index (based on interbank OTC FX Options trade activity) and a range of other features.

Another transparency initiative was launched in June with the announcement of the cooperation between Saxo Bank and the international financial information services company Markit. From September 2011, Saxo Bank has reported its Contract for Difference (CFD) trades via the trade reporting platform Markit BOAT. With this initiative, Saxo Bank became the first financial institution to report its single stock CFD trades on a voluntary basis. This initiative provides non-listed CFD trading with the same transparency found in the trading of listed financial products.

Saxo Bank focuses on reducing slippage on stop orders and believes in improving client experience and certainty when filling stop orders. In October, Saxo Bank began to publish its historical FX stop order slippage on its website, Saxobank.com. The historical FX stop order slippage information details Saxo Bank's performance in filling client stop orders on the major currency pairs.

Also in October, Saxo Bank began to publish FX open positions on TradingFloor.com. The FX open positions module provides a snapshot of Saxo Bank clients' aggregated FX open positions on 10 major currency pairs, allowing users access to historical positioning across and within currency pairs. The module can also be used to search for extreme positioning in particular currency pairs or for concentrations of positions that might result in support or resistance.

Furthermore, the FX open positions module features:

- Aggregate position ratios which show the relative size of positions by USD value held by clients in a selection





of currency pairs, and the relative proportion of longs versus shorts by currency pair.

- Instrument open positions which show clients' long and short positions in a single currency pair, selected from the aggregated position ratio chart.
- Normalised net positioning for a single currency pair, which shows the relative positioning of clients within a certain time horizon.

The module is also interactive, allowing users to view data for specific time ranges, and to drag a vertical bar to see how the open positions have changed over time. The chart data is updated hourly by default.

## REGULATORY ENVIRONMENT

The regulatory environment within the financial sector is undergoing changes. Within the EU, as well as within other international fora, certain key changes to the regulatory environment applying to financial institutions are currently being discussed. Among the proposed changes is a proposal for a new Markets in Financial Instruments Directive (MiFID II), which includes provisions on potential clearing of certain OTC products, enhanced investor protection and transparency regulation. In addition, the US FATCA regime, which will enter into force in 2013, will impose requirements on Saxo Bank with regard to disclosing the identity of US clients to US authorities and requirements to withhold tax. Saxo Bank is committing the necessary resources to address these regulatory changes and will adjust its systems and infrastructure accordingly.



## FINANCIAL REVIEW

Saxo Bank's consolidated financial statements for 2011 are prepared under the International Financial Reporting Standards (IFRS). Historically, the financial statements have been prepared in accordance with the Danish Financial Business Act. The transition to IFRS has not affected the Group's net profit, total assets or equity.

Saxo Bank's net profit for 2011 was DKK 618 million compared with DKK 644 million in 2010. Earnings in Saxo Bank have historically fluctuated over the course of the year. In 2010, the results were heavily skewed towards the first half whereas the results in 2011 were more balanced over the course of the year. Thus, net profit for the second half of 2011 of DKK 272 million almost trebled compared with the same period in 2010.

Considering the challenging external environment, Management finds the result of DKK 618 million for the year to be satisfactory.

Saxo Bank's results are directly linked to the clients' trading patterns, particularly in relation to FX volumes. Overall, FX volumes declined 9% in 2011 compared with 2010. Volumes in the second half of 2011 picked up 14% compared with the same period of 2010 to reach a monthly average of DKK 1.5 trillion with the highest volumes in the third quarter. Within other product areas on the trading platform such as FX options, CFDs, stocks and futures, Saxo Bank saw a significant increase in the average monthly volumes traded compared to the same period last year.

Operating income reached DKK 3.53 billion for the Group in 2011, compared to DKK 3.34 billion in 2010. This 6% year-on-year rise in operating income was partly due to organic expansion in the traditional trading business and partly a result of the full year impact of 2010 acquisitions.

FX remains the core income generator for the Group, with more than 64% of income deriving from this asset class. Saxo Bank continued its ongoing efforts to optimise the transaction flow. This included active management and monitoring of the internalised parts of FX and CFD flows.

Other income of DKK 80 million represents primarily income from non-financial activities and a revaluation gain realised when Saxo Bank gained control of EuroInvestor through a step acquisition. The shareholding held immediately before the step acquisition, where control was achieved, was remeasured at fair value and the difference compared with the carrying value recognised as a gain.

Operating costs for the year were DKK 2.5 billion for the Group. This 9% increase over 2010 represented in part the effect of the acquisitions of Brørup Sparekasse and E\*Trade's Nordic activities as well as the consolidation of EuroInvestor. Furthermore, Saxo Bank continued to invest in enhancing its online trading platform, expanding the product offering and geographical footprint and establishing new business areas. Even though such investments have little or no impact on income in the short term, Saxo Bank believes that it is well positioned to capitalise on the many opportunities available and take the Bank to the next level.

A main component of the Group's costs is staff costs, which increased from DKK 1.10 billion in 2010 to DKK 1.28 billion in 2011. This rise is partly a consequence of new hires related to knowledge and management upgrades within various areas of the Bank.

The increase in depreciation, up 35% to DKK 220 million, reflects the Bank's continued investments in product enhancements, which have enabled a range of new products and services to be introduced to the trading platform.

Other losses on bad debt of DKK 48 million are estimated based on an individual assessment of the underlying receivables, which in turn are based on an assessment of the weighted present value of the most likely future cash flow from the receivables. The increase over 2010 is primarily attributable to a relationship with a vendor and not related to the banking loan portfolio.

The effective tax rate for 2011 was 27.4%, which is deemed to be more representative for the Group's tax position compared to the level in 2010 which was impacted by adjustments relating to previous years.



Net profit of DKK 618 million was impacted by a number of non-recurring items, the net effect of which had a negative impact on the result.

### STATEMENT OF FINANCIAL POSITION

Total assets increased from DKK 22.4 billion to DKK 27.0 billion as of 31 December 2011.

Client cash deposits in the Group increased from DKK 14.5 billion to DKK 17.5 billion. The cash inflow from client cash deposits is placed in counterparty banks, bonds and other interest-bearing assets.

Clients' cash deposits underline the realised growth in clients' collateral deposits. Clients' collateral deposits related to the online trading business increased more than 13% to DKK 35.3 billion as of 31 December 2011.

In addition, Saxo Bank grew its assets under management in Saxo Asset Management. By means of organic growth in the three companies Fondsmæglerselskabet Sirius Kapitalforvaltning A/S, Capital Four A/S and Global Evolution

A/S, in total Saxo Asset Management grew its assets under management from approximately DKK 31 billion to more than DKK 33 billion as of 31 December 2011.

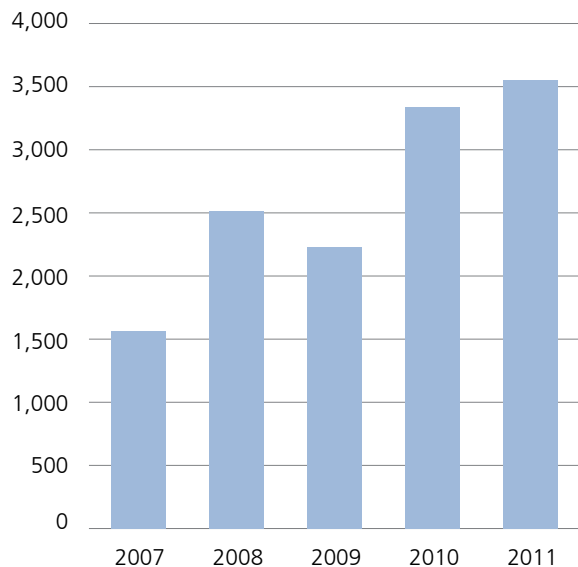
Thus, total client collateral and assets under management increased from DKK 62.5 billion to DKK 68.4 billion.

Intangible assets increased from DKK 1.53 billion to DKK 2.09 billion. This reflected goodwill from the acquisitions as well as continued investments in the platform.

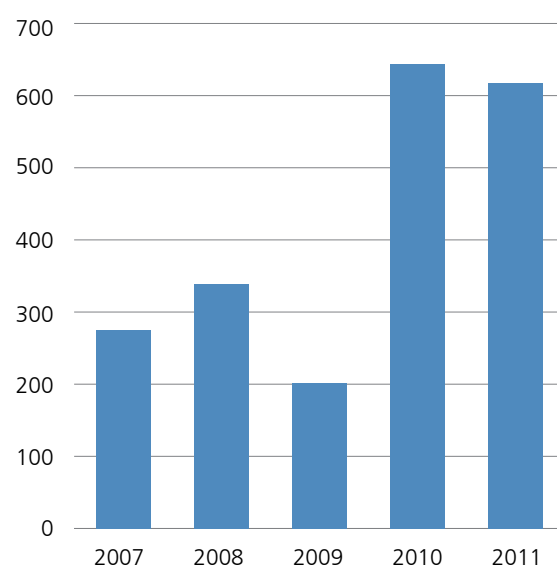
Shareholders' equity increased by 12% to DKK 3.24 billion in 2011, compared to DKK 2.88 billion at the end of 2010.

During 2011, the Board of Directors decided to pay the shareholders of Saxo Bank A/S interim dividends of a total of DKK 246 million or DKK 3.70 per share of DKK 1.00. In view of the interim dividend, the Board of Directors proposes to the annual general meeting that the net profit for the year of DKK 618 million less the interim dividend of DKK 246 million be allocated to shareholders' equity.

Operating income 2007-11  
DKK millions



Net profit 2007-11  
DKK millions





## OUTLOOK 2012

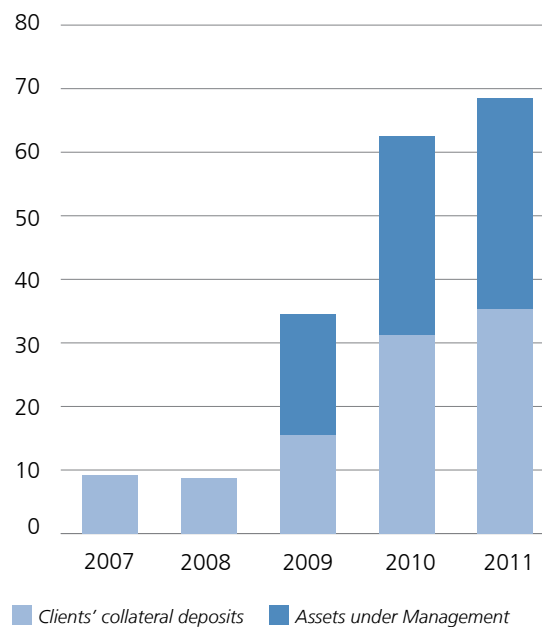
Saxo Bank finds the overall market situation uncertain and visibility remains low. The Bank expects 2012 to be a year of political changes and challenges which will impact the Bank's clients.

Saxo Bank intends to continue developing its traditional trading business. The focus will remain on efficiency, profitability and optimisation of the entire value chain. In addition, Saxo Bank will continue its investments in new product development.

Further geographical expansion is on the agenda for 2012, and the Group will examine new office openings either through acquisitions or as green field start-ups.

With a proven viable business model, Saxo Bank is confident that the Group has a solid foundation for its operations in 2012. In the absence of further negative external market influence, the Bank expects to continue to create value for its stakeholders.

AuM 2007-11  
DKK millions



### FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects are forward-looking statements. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict", "intend" or variations of these words, as well as other statements regarding matters that are not historical facts or regarding future events or prospects, constitute forward-looking statements. Saxo Bank has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted

in the forward-looking statements and from the past performance of Saxo Bank. Although Saxo Bank believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may differ materially. As a result, you should not rely on these forward-looking statements. Saxo Bank undertakes no obligation to update or revise any forward-looking statements.

### GOVERNING TEXT

The Annual Report has been translated from Danish into English. The Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish version shall prevail.



## CHANGES IN OWNER STRUCTURE AND BOARD

In August, Saxo Bank announced that TPG Capital, one of the world's leading investment firms, would become a major shareholder in Saxo Bank following approval from the Danish Financial Supervisory Authority, the European Commission and other international supervisory authorities. In mid-December, all supervisory authorities' approvals were obtained.

TPG Capital has acquired a 30% stake in Saxo Bank from existing investors that included General Atlantic, a global growth investor, Espirito Santo Financial Group, and Banco Espirito Santo, a leading Portuguese bank, amongst others. General Atlantic invested in Saxo Bank in 2005, while ESFG and Banco Espirito Santo invested in 2008.

The founders of Saxo Bank maintain majority ownership of the Bank. Fournais Holding A/S and Lars Seier Christensen Holding A/S own 29.95% of Saxo Bank each. The remaining shares are mainly held by a number of current and former employees of the Bank.

Following an extraordinary general meeting, the Board of Saxo Bank consists of Kurt K. Larsen, Chairman, Dennis Malamatinas, Professor Thomas Plenborg and new members of the Board Asiff S. Hirji, Partner at TPG Capital, and Karl I. Peterson, Partner at TPG Capital.

## POST BALANCE SHEET EVENTS

No events occurring after the balance sheet date have had significant influence on the financial position of the Bank or the Group.

**DECEMBER:** Saxo Bank launches a new SaxoTrader mobile trading app for iPhone and Android.

Contract options on futures and cash indices are added to Saxo Bank's offering.

ICAP Shipping and Saxo Bank announce that they were involved in the world's first electronic container freight swap settled in USD.

New board members of Saxo Bank are appointed, following approval of TPG Capital as new shareholder.

**NOVEMBER:** Saxo Bank receives the "Best Active Trading Tools" award at the annual Shares Awards.

Saxo Bank announces that it will once again become the sole title sponsor of Riis Cycling. The new cycling team name is Team Saxo Bank Professional Cycling Team.

Saxo Bank enables its clients to identify and trade Islamic compliant stocks online.

**OCTOBER:** Saxo Bank opens a representative office in Moscow to respond to increasing demand from Russia's sophisticated investor base.

Saxo Bank launches an FX open positions module on TradingFloor.com.

Saxo Bank expands into Belgium with the opening of its office in Brussels.

**SEPTEMBER:** Saxo Bank introduces the new USDCNH currency cross on its trading platform, enabling clients to trade the offshore Chinese renminbi against the US dollar.

**AUGUST:** Saxo Properties and Resolution Property, the pan-European real estate fund, form a €250 million joint venture.

Saxo Bank announces that TPG Capital, one of the world's leading investment firms, will become a major shareholder in the Bank.

Saxo EBank and Brørup Sparekasse are merged and become part of Saxo Privatbank.





- **MARCH:** Saxo Bank announces its 2010 annual results, the best full-year results in the Bank's history. Saxo Capital Markets HK Limited is launched to meet growing retail trading demand in Hong Kong. Saxo Bank Capital Markets Panama opens, marking Saxo Bank's first physical presence in Latin America.

- **APRIL:** Saxo Bank acquires a further 32% stake in EuroInvestor, one of the largest investor communities in Europe, and now owns 72% of the company.

- **MAY:** Saxo Bank begins publishing FX Options OTC market data to increase transparency within the Forex market.

Saxo Bank wins six awards at the Euromoney annual FX Survey.

Saxo Privatbank opens its first branch in Hellerup, Copenhagen, Denmark, providing banking services and advice to retail clients.

Saxo Bank announces that it will provide TD Waterhouse, the UK's leading execution-only broker, with an online derivatives trading platform for retail investors.

- **JUNE:** Saxo Bank announces that it will begin to report its Contract for Difference (CFD) trades via the trade reporting platform Markit BOAT, becoming the first financial institution to report its single stock CFD trades on a voluntary basis.

- **JULY:** Saxo Bank is named "Best Forex Broker in Northern Europe" and "Best White Label Solution Provider" in World Finance's FX Awards.

Saxo Bank launches the latest version of SaxoTrader, its multi-asset class trading platform.

TradingFloor.com, Saxo Bank's trading commentary, news and analysis website, is relaunched with new features and design.

Saxo Bank wins "Best Liquidity Distribution Service" at the annual FX Week e-FX Awards.

FX Binary Touch Options are introduced on the SaxoTrader.

Saxo Bank acquires a 25% stake in Leverage, a broker solutions provider, taking the first step towards offering the MT4 trading platform to clients.



## CAPITAL MANAGEMENT

The purpose of the Group's capital management practice is to ensure that the Group has sufficient capital at all times to cover the risks associated with its activities. The framework for the Group's capital management is rooted in the Capital Requirement Directive's Pillar I and Pillar II, where Pillar I contains a set of rules for calculating the capital requirement and Pillar II describes the framework for the Group's Internal Capital Adequacy Assessment Process and the supervisory review.

### INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Group's ICAAP process has four steps:

- Step 1: Capital requirements using CRD (Pillar I)
- Step 2: Self-assessed capital requirement using a quantitative approach
- Step 3: Self-assessed capital requirement using a scenario-based approach
- Step 4: Capital adequacy determination

#### Capital requirements using CRD, Pillar I

This first step calculates the minimum capital using the Capital Requirements Directive, Pillar I.

The Group uses the following methods to calculate risk-weighted assets for the three types of risks:

- Credit risk: standard method
- Market risk: standard method
- Operational risk: basic indicator method

The Group does not take diversification effects into account. The capital charges for each risk category are simply added.

#### Risk self-assessment using a quantitative approach

The second step is to assess the actual risks to which the Group is exposed. Different risk types are examined and split into major risk categories. Different methods are applied to assess the Group's capital need in each category.

#### Credit risk

To assess the credit risk to which the Group is exposed, the different counterparty types are examined and then the outstanding counterparty risk defined based on the underlying business activity. The risk within online trading and investment and other investment services within capital markets is assessed using impact and likelihood based on empirical data and credit ratings wherever applicable. In a similar fashion, the credit risk is determined on outstanding credit lines and accepted bank guarantees.

Using this input, a portfolio credit risk model is employed using a Monte Carlo simulation, running one million scenarios with an assumed 30% event correlation. This yields the loss distribution due to credit risk. The Group uses expected shortfall (average of events greater than value-at-risk) with a 99.9% confidence level.

Furthermore, credit risk outside the traded portfolio, including domicile buildings, tangible assets and off-balance sheet items, is added using the standard method under the CRD.

Subsidiaries offering professional portfolio, fund and asset management or classic bank services are included using their respective individual capital adequacy numbers using a CRD or LOPI-based model. These are aggregated at a group level using simple addition, offering no diversification effects.

#### Market risk

Market risk within online trading and investment and other investment services within capital markets is determined using the internal market risk model of the Group. The model employs full diversification effects implied by risk factors within the traded portfolio.

Interest risk outside the traded portfolio is determined by stressing the interest curve one percentage point and then evaluating the impact. Market risk from portfolio, fund and asset management or classic bank services are included using their respective individual capital adequacy numbers using a CRD-based model. These are aggregated at a group level using simple addition, offering no diversification effects.





### **Operational and Business risk**

The risk from the Group's operations, including compliance and legal risk within online trading and investment and other investment services within capital markets, is assessed through an interview process, where the likelihood and impact levels of events are determined in cooperation with the applicable stakeholders. In addition, the Group integrates external risk events into its risk management program in order to determine potential risk factors and to challenge the Group's risk overview. Third-party risk experts assess the external data in cooperation with internal parties. The risks are analysed using the derived scenarios and the same simulation model as described under credit risk. As business risk is defined as impacts to the future ability to generate earnings, these are tested against the budgeted income. If these are not covered by the budgeted income, capital must explicitly be set aside.

### **Liquidity risk**

The liquidity risk is determined as the increased cost of raising capital in an illiquid market. The Group determines the liquidity risk based on scenarios with a liquidity shortfall within the Group. Liquidity risk is covered by the budgeted income. If the income is not sufficient, capital must explicitly be set aside.

### **Buffer**

The Group includes a buffer to incorporate additional capital requirements identified, but not covered by the previous assessment. A buffer is added, considering an increased volatility environment relative to the risk factor that contributes the most to the Group's market risk. Growth and new initiatives consider general growth expected to reach the set goals. Mergers, acquisitions and outsourcing agreements take into account planned projects but also the potential effect of terminating outsourcing agreements. New products and services consider increased exposure to new markets, products and added complexity. A general buffer is added as a conservative measure.

### **Stress testing using a scenario-based approach**

The third step in the ICAAP estimates the capital and earnings effects of stress test scenarios regardless of the previous capital adequacy levels.

Stress scenarios are developed on the basis of the Group's risk register. One or more stress scenarios are made in the major risk categories, consisting of one or more events from the register in the applicable risk category. Furthermore, the Group uses a number of combined stress scenarios, combining multiple events across risk categories. One of the combined events entails a highly unlikely chain of events in order to ensure the utmost degree of stress. Where applicable, the stress test also takes account of insurance coverage.

The stress scenarios are updated and reviewed at least once a year according to changes in the market and the economic environment.

### **Capital adequacy determination**

To determine the appropriate level of capital, the results of the three steps are compared – both in nominal terms and as percentages. For steps two and three, the percentage is determined by using the risk-weighted assets calculated in step one as the denominator.

The largest percentage is determined and is considered as the minimum solvency level at which the Group should operate.

### **Capital planning**

Part of the ICAAP involves planning future capital needs in relation to the business environment, growth and strategic plans in the years to come. Potential major changes to the risk profile and thereby future solvency needs are estimated using the ICAAP. These could be changes in the business strategy or competitive landscape, significant increases in traded volumes, fundamental changes in market conditions, changes in the internal organisation, M&A activity, material changes in regulatory requirements or introductions of new products. This input is used in the strategic decision-making process by the Board of Directors and the Board of Management.

Furthermore, the result of the ICAAP is used as input to the capital plan and capital contingency plan.

The capital plan is a function of the estimated (budgeted) forecast of capital, risk and earnings.



The result of ICAAP step three (stress testing) is used as input to the capital contingency plan. The financial consequences following the various scenarios and potential management actions are estimated using the methodology described under ICAAP step two, giving rise to the most likely net financial consequences from a scenario. The potential management actions are revised should the estimated net financial consequences bring the Group below the required minimum capital level.

A full ICAAP is performed as often as required, but at least once a year.

Capital adequacy levels adjusted according to ongoing limit utilisation are published on the Group's website and reported to the Danish FSA on a quarterly basis.

#### **Liquidity**

The Group has an inherent high level of liquidity. This is primarily due to Saxo Bank's business model where clients who use Saxo Bank trading platforms provide deposits etc. as collateral. Saxo Bank places these deposits in liquid assets such as deposit accounts and short-term bonds. As of 31 December 2011, the regulatory liquidity requirement for the Group was DKK 2.6 billion. The Group's liquidity to cover this requirement was DKK 12.4 billion.

## **RISK FACTORS**

Similar to other financial institutions, Saxo Bank is exposed to risk. The various risks are actively monitored and the Bank strives to mitigate those risks that the Bank has influence upon in order to ensure that risks are within the Bank's risk appetite. In addition, the Bank is subject to external events beyond its control, e.g. acts of terror, political intervention, meltdown of the financial markets, changes in technology or other rare and unpredictable exogenous events.

The Bank strives to be observant and responsive to changes in the external environment. This is put into practice through the creation of relevant scenarios and related relevant actions. These are regularly reviewed and challenged in order to ensure that the Bank recognises important environmental changes early, thus enabling the Bank to respond to these changes in a timely manner. Nevertheless, there can be no assurance that these responses will prove to be sufficient, as other factors, not accounted for in the scenarios, may cause actual developments to differ significantly from the Bank's expectations.

Some of the risk factors, which may adversely affect the Bank's future growth, activities, financial position and results, are described below. This is not an exhaustive description of the risk factors to which the Bank is subject, nor are these factors listed in any order of priority.

#### **BUSINESS RISK**

##### **The competitive environment**

The Bank faces increased competition in selected segments of the financial services market. Technology spreads out making it easier to replicate existing trading platforms and enabling newcomers to start up at low cost. As a result, many low cost players have been attracted to the market place. In addition, some of these new players operate in an unregulated territory, offer higher leverage and require low initial collateral. Consequently, these newcomers may lead to increased price competition, which could have a material adverse impact on the Bank. Although the Bank seeks to differentiate its offerings from its competitors and enter into new markets broadening its product offerings, it may not be successful in reducing the effects



of increased competition. Thus, the increased competition may decrease the Bank's revenue or margins and thereby have a material adverse effect on the Bank.

### **The regulatory environment**

Operating in the financial services industry, the Bank is subject to considerable regulation, which may constrain its operations. In particular, the recent financial crisis has increased public demand for enhanced regulation of the financial services industry. Hence, increased regulatory requirements, e.g. greater scope, disclosure and supervision, can be expected and thus the Bank's compliance costs may increase in the future. Although the Bank continuously monitors and accommodates regulatory changes, it cannot be ruled out that the Bank might fail to adhere to certain regulations. The Bank's failure to comply with applicable regulations could result in substantial costs, losses and other negative consequences such as revocation of license(s).

Furthermore, additional liquidity and capital requirements could be enforced and other new regulations and/or taxes, e.g. a Tobin tax, could be implemented. Such potential changes may constrain the Bank's ability to provide products and services to its clients or may increase the costs of providing such products and services.

### **Deleveraging**

The Bank believes that the potential growth in demand for its products generally correlates with market volatility as well as the general economic conditions. Thus, the demand for the Bank's products is subject to changes in market conditions as well as clients' attitude towards risk and other factors beyond the Bank's control. While the Bank has historically been less sensitive to economic cycles than the financial services industry in general, a change in clients' risk attitude might present a material challenge for the Bank. Periods of low risk appetite mean lower activity and reduced demand for the Bank's margin-related products. If the Bank is not able to reduce its costs or compensate for the decline in the demand for margin-related products through enhanced revenue from non-margin products, it could have a material adverse effect on the Bank's results and financial position.

### **Acquisitions and new offices**

The Bank has expanded significantly in recent years through both acquisitions and the establishment of local sales offices. The Bank intends to continue to develop and expand its business. If the Bank fails to successfully manage and integrate the new offices as well as acquired businesses, its financial results could be adversely affected. In addition, the Bank may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses or in establishing new offices.

Furthermore, there is a risk that an acquired entity or established office is not able to maintain or develop its client base in line with expectations or generate expected margins and income. Although the Bank analyses each target, these assessments are subject to various assumptions concerning profitability, growth, interest rates, etc. Thus, there can be no assurance that the Bank's assessment of new offices and acquisition candidates will prove to be correct as other factors, not accounted for in the analysis, may cause actual developments to differ significantly from the Bank's expectations.

In addition, acquisitions of companies expose the Bank to the risk of unforeseen obligations with respect to employees, clients, suppliers, public authorities or other parties. Such obligations may have a material adverse effect on the Bank.

### **International operations**

The fact that the Bank operates in various countries and pursues a decentralised structure means that the Bank is subject to additional risk factors. The Bank's decentralised organisational structure implies that local managers retain a certain autonomy based on guidelines established by the parent company. Although the Bank has various reporting requirements in place as well as control systems in order to monitor decentralised business units, these measures might not prove sufficient to ensure that local managers adhere to all guidelines and local regulations. Therefore, it cannot be ruled out that the Bank could experience an incident that may have a material adverse effect on the Bank.



## OPERATIONAL RISK

Operational risks are inherent in all business activities and therefore can never be completely eliminated. However, the Bank continues to strengthen its risk management framework and continuously seeks to understand the business' exposure to risks arising from failures in internal controls, operational processes or the systems that support them. In addition, the Bank seeks to maintain appropriate levels of insurance. However, the Bank may incur liabilities that are not covered by insurance as not all claims are insurable. Thus, there can be no assurance that the Bank will not experience major incidents of a nature that is not covered by insurance and which could thereby have a material negative impact on the Bank's financial performance. Additionally the insurance taken out might prove inadequate.

### Product flaws

The software that supports the Bank's operations is modified and updated on an ongoing basis to accommodate new products and business ideas. However, despite test procedures in place aiming at ensuring that implemented software is flawless, there can be no assurance that these procedures will prove to be sufficient to analyse all aspects of the software. As a result, the Bank may incur financial losses.

### Business disruption

The Bank is highly dependent on the continuous operation of its IT infrastructure. Extensive automation is paramount for the Bank to reduce errors and processing time. Therefore, system failures could impact the Bank's services to its clients or critical internal business processes. For example, the complete loss of IT infrastructure means that the Bank and its clients are unable to see their exposures as well as execute trades electronically, which during market turmoil could result in material losses. Consequently, a system outage may have a severe financial and reputational impact on the Bank. The success and smooth operation of the Bank depends to a large extent on staff being able to perform their daily tasks. In a catastrophic event such as a global pandemic or severe fire, a large propor-

tion of staff might not be able to carry out their daily duties. As a result, the Bank might be adversely affected.

Although the Bank has contingency plans in place that cover the above-mentioned situations and these are regularly reviewed and challenged, there can be no assurance that the contingency plans will prove to be sufficient, as actual developments might differ significantly from what is accounted for in the plans.

### Third parties

Saxo Bank's business model relies to a certain extent on Introducing Brokers or White Label Clients who have a direct relationship with the client, but who delegate the work of the operation and trade execution to Saxo Bank. Although the Bank has procedures in place to manage the risk associated with such Introducing Brokers and White Label Clients, there can be no assurance that an unlawful or unethical act by the broker or partner would not have a negative effect on Saxo Bank's reputation or otherwise have a material effect on the Bank's financial results.

Furthermore, Saxo Bank relies on outsourced service providers to perform certain functions. These service providers also face technology and operating risks, and any significant failures by them, including the improper use or disclosure of the Bank's confidential information, could cause Saxo Bank to incur losses and could harm the Bank's reputation. An interruption in or the cessation of service by any external service provider as a result of systems failures, capacity constraints, financial difficulties or for any other reason, and the Bank's inability to make alternative arrangements in a timely manner could disrupt the Bank's operations.

### Fraud

Although the Bank has several controls in place, these might not be sufficient to eliminate all fraud possibilities. The high number of transactions and interactions increases the risk of irregularities or mistakes. Consequently, incorrect or unauthorised activities could affect the Bank severely.



### **Security risk**

Cyber attacks on financial institutions are increasing and becoming more sophisticated and targeted than ever before. As with any other business solution, the Bank's trading infrastructure might be exploited or misused by cyber criminals. Despite the fact that the Bank has taken steps to protect its infrastructure, the Bank might still be vulnerable to sophisticated and targeted attacks. Consequently, emerging threats could harm the Bank and its clients, which might affect the Bank financially or harm its reputation.

### **CREDIT RISK**

The Bank incurs credit risks in relation to its brokerage operations. The nature of the credit risk depends on the type of counterparties in question. Hence, credit risks sustained from retail and small institutional clients derive from the possibility that posted collateral may not offset sustained deficits. In response, the Bank uses a near real-time monitoring system, which can notify and intervene immediately. Selected major institutions can benefit from trading on credit and trading lines. These institutions pose a credit risk, as, in case of default, they may not be able to meet their financial obligations. In recognition of this fact, the Bank utilises daily settlement of sustained losses. Besides, granted credit and trading lines are monitored daily.

The Bank also faces credit risks from liquidity providers, financial brokers and counterparties. The counterparty default risk from this category of counterparty constitutes one of the largest single credit risks there is. In acknowledgement of the severity of the risk, the Bank only operates with regulated counterparties with high credit ratings.

Furthermore, the Bank incurs credit risk in relation to its retail banking activities. The granting of a credit facility is based on the Bank's insight into the client's financial position. As part of this process, the Bank strives to ensure that each facility matches the credit quality and financial position of the client. For this purpose, the Bank has established procedures which include a regular assessment of the basis on which the credit was granted.

A common factor of the various credit risks in which the Bank has become engaged, is that the risk stems from adverse market movements or severe changes in macroeconomic and financial factors, all of which are beyond the Bank's influence.

Despite measures taken within credit risk management, the Bank may experience losses that may have a material adverse effect on the Bank.

### **MARKET RISK**

As part of offering competitive prices, the main role of the Bank's trading function is to optimise the trading flow i.e. determine the timing of covering the risk in the market. As foreign exchange constitutes the majority of the Bank's trading activities, the Bank holds spot, forward and option positions within foreign exchange. In addition, a part of the Bank's exposure is related to equity and commodity markets via CFD positions. The volatility of the equity and commodity markets is considerably higher than foreign exchange. Furthermore, in connection with efforts to optimise the return on the Bank's funds, the Bank incurs interest rate risks through investments in bonds.

Although the investment strategies are based upon analysis of the market, these evaluations are subject to various assumptions about market development. Actual developments may differ significantly from the Bank's expectations. Consequently, in case of, for example, significant adverse movements in the foreign exchange, equity, commodity or interest rate markets or other external events outside the Bank's control, these exposures may have a material adverse effect on the Bank in spite of the fact that the Bank monitors market exposures and losses closely intra-day. In addition, it cannot be ruled out that staff engaged in decisions regarding the optimisation of the flow could misjudge the situation, or otherwise take decisions that end up having a material negative impact on the Bank's financial position.

20 : 15 Panama

01 : 15 United Kingdom

02 : 15 Belgium, Czech Republic, Denmark, France,

03 : 15 Greece, Cyprus, South Africa

05 : 15 Dubai, Russia

06 : 45 India

09 : 15 Hong Kong, Singapore

10 : 15 Japan

12 : 15 Australia

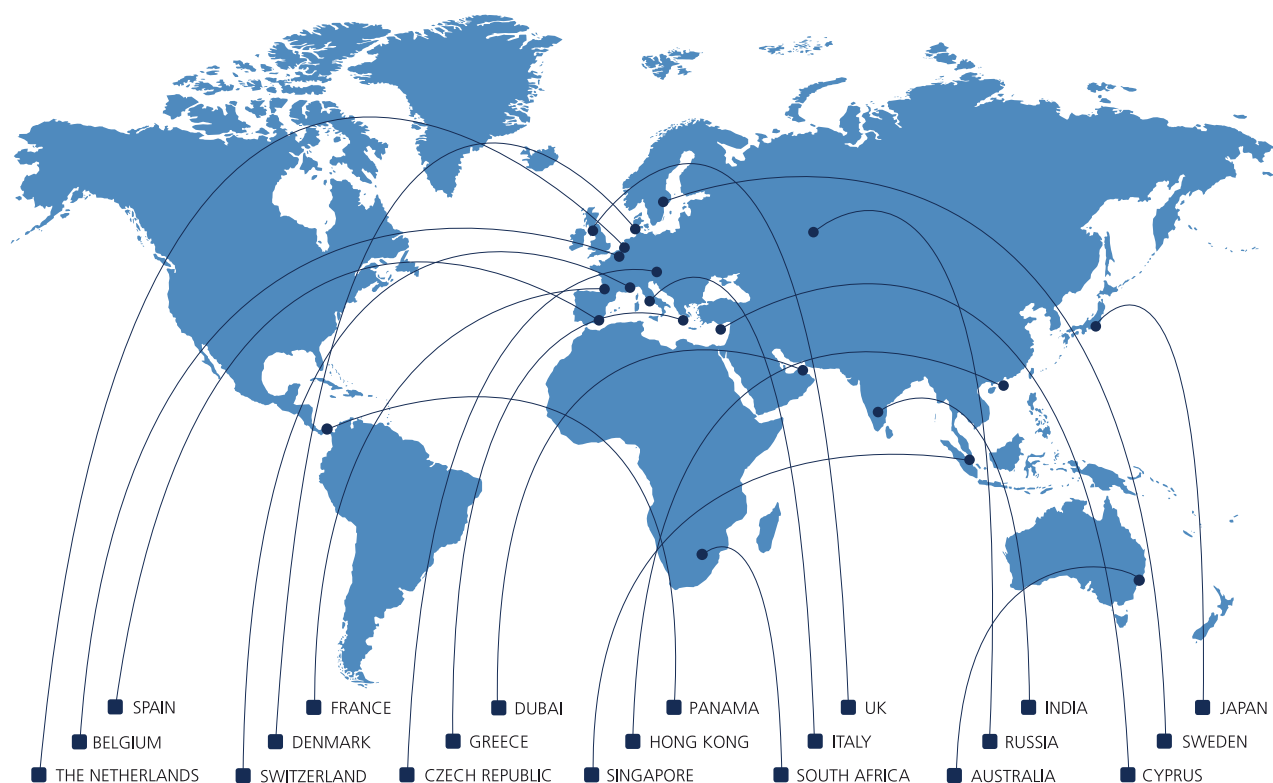


Italy, The Netherlands, Spain, Sweden, Switzerland



# **OPERATIONAL REVIEW**





## ONLINE TRADING & INVESTMENT INDUSTRY

The internet age of the 1990s changed the traditional financial services industry and presented new opportunities for the private investor. Before the internet age, foreign exchange trading was mainly the domain of large financial institutions, corporations and governments. Today, foreign exchange trading, or FX trading, is online and easily accessible to both private and institutional investors.

Saxo Bank was one of the pioneers in online FX trading, launching an electronic trading platform in 1998 which provided retail investors with access to the foreign exchange market. Today, the online industry includes several market players, both global and local. Competition has driven rapid growth in the sector, and a significant online financial services industry has emerged.

Over only two decades, FX trading has evolved to become the world's largest market with an average daily trading volume of USD 4 trillion (source: BIS report 2010). Saxo Bank's trading platform has evolved as well, and now offers a variety of financial products, from CFDs and stocks to futures and contract options, to a client base in over 180 countries.

### CONSOLIDATION OF THE ONLINE INDUSTRY

During the last ten years, the online industry has matured, laying the foundation for further service offerings and co-

operation, also with institutional investors who have gradually been won over by technological developments, improved trading tools and a broader financial product range. Saxo Bank launched an institutional business in 2001, providing White Label solutions to banks, brokerages and other financial institutions.

Consolidation is also being driven by increased regulation of financial markets around the world. On the back of the financial crisis of 2008, as well as the current Eurozone crisis, regulators are introducing various new standards to improve industry processes and product transparency, and increased capital requirements are being seen in many areas. These measures may lead to further consolidation of the online industry, and may also present opportunities.

Saxo Bank supports the initiatives to increase the transparency and professionalisation of the online financial services industry. In 2011, Saxo Bank became the first financial institution to report its single stock CFD trades on a voluntary basis, and also began publishing its historical FX stop order slippage on its website. The Bank will continue to develop and implement initiatives that will further increase transparency both in terms of risk and pricing of its products.



## BUSINESS MODEL & STRATEGIC DIRECTION

### ONLINE TRADING BUSINESS MODEL

Saxo Bank's traditional business model is that of a facilitator, bridging the gap between two primary segments. At one end of the spectrum is liquidity – the product providers such as international banks, exchanges and others that deliver the high-quality liquidity that Saxo Bank integrates into its online trading platforms. At the other end of the spectrum is distribution – the private clients as well as banks, brokers and other financial institutions. In between is Saxo Bank, the facilitator linking these two segments.

Through Saxo Bank's trading platforms, clients can access trading in currencies, CFDs, stocks, futures, options and other derivatives as well as bonds, ETFs and other investment products. The platforms, which in 2011 included the SaxoWebTrader, SaxoTrader, SaxoMobileTrader, SaxoTreasurer, Global Webtrader and the Modern Wealth Management platform, offer real-time prices and charts, risk management, news, education and other tools.

### PLATFORMS AND SERVICES

Saxo Bank's suite of trading platforms enable the Bank to offer dealing and market making services to clients by providing direct access to tradable prices and rates across global capital markets. Trade and order execution is reported to clients via the platforms in real time, including full transparency of order and trade execution details, audit log events and mark-to-market-based revaluations of positions, portfolios and client accounts. Transactions are combined with instant trade or order execution notifications, along with detailed and historical client account statements, and comprehensive trade and portfolio-based risk management analysis tools. Although the majority of the Bank's business is conducted online, Saxo Bank maintains dedicated 24-hour support desks.

### FACILITATION

Saxo Bank's primary function is to act as a professional and regulated facilitator of investment and trading. The online





trading platforms enable clients to trade in exchange-traded securities or derivatives contracts by routing the orders directly to the markets and relevant exchanges via one of Saxo Bank's liquidity and infrastructure partners. For products that are traded over-the-counter (OTC), Saxo Bank may also act as a client counterparty. The Bank's liquidity and infrastructure partners are large financial institutions. By entering into active cooperation with these institutions, Saxo Bank has ensured access to a one-stop trade execution, settlement and custody offering.

## PRODUCTS

Saxo Bank's traditional offering encompasses 20,000 financial instruments, including currencies, commodities, CFDs, stocks, futures, options and other derivatives. FX is the core of this offering and features trading in over 160 currency crosses. Additionally, the Bank offers FX vanilla and binary touch options which can be traded directly on live streaming prices through an FX Options Board.

In addition to FX, Saxo Bank offers online trading access to over 13,000 stocks from more than 25 exchanges around the world. Contracts for Difference (CFDs) represent a more flexible method of trading stocks on margin, with the added ability to trade long or short, enabling traders to respond quickly to changing trends and market news. Saxo Bank's offering of more than 7,000 CFDs includes 21 index-tracking CFDs and 21 commodity CFDs.

Online futures trading provides access to real-time trading in oil, metals, wheat, currencies, stock indices and other commodities. Futures enable clients to either invest in – or hedge against – expected price movements of the underlying asset. In addition, clients can trade contract options on futures and cash indices. Contract options are aimed at sophisticated traders who realise the value of being able to hedge exposure to the underlying asset or enhance portfolios using options. Saxo Bank also offers over 1,500 ETFs (Exchange Traded Funds) and ETCs (Exchange Traded Commodities) which are listed on stock exchanges and can be traded on live prices and analysed in the platform's charting tools.

## PRIVATE CLIENTS

Saxo Bank has taken professional trading to the retail client segment, providing it with direct access to the global capital markets. With clients spanning more than 180 countries, Saxo Bank provides information on its websites in over 20 languages and offers local service from offices in 21 countries worldwide.

The Bank understands that, in today's fast-paced global markets, traders and investors need up-to-date market information. Private clients have access to market news and analysis for equities, futures and FX delivered from news-wires and other third-party providers, in addition to analysis from the Saxo Bank Strategy team on the Tradingfloor.com website. For CFDs, stocks, futures and other financial asset classes, Saxo Bank delivers live price feeds. An online subscription tool available in the platform enables clients to access live prices and news feeds from more than 45 exchanges and news providers.

With the popularity of social media increasing among online traders and investors, Saxo Bank also maintains a presence on a number of social sites, including Twitter, Facebook, Google Plus and YouTube.

Saxo Bank's online education programme, TradeMentor, was launched in 2010. TradeMentor offers training in all aspects of online trading, with sections for beginner, intermediate and advanced levels. Training is optimised for use with the Bank's live demo account, enabling anyone to learn online trading techniques in a simulated live trading environment. Throughout the year, regional Saxo Bank offices also offer live seminars for local investors, exploring topics such as currency and CFD trading or setting up the Bank's platforms.

By far the most popular way for private clients to familiarise themselves with the markets and Saxo Bank's trading offering is the free practice account, which includes a simulated USD 100,000 in funding, plus the full range of features from the live environment, including all asset classes, real-time FX prices, streaming financial news and market analysis.



## INSTITUTIONAL CLIENTS

Saxo Bank offers a range of trading and settlement services as well as API/B2B solutions for foreign exchange, stocks, futures and DMA CFDs for banks, international corporations and proprietary trading houses. Saxo Bank provides access to multi-asset trading, tier 1 liquidity, competitive pricing and execution, real-time cross-product risk management, automated settlement and post-trade services. For corporate clients, Saxo Bank offers physical delivery of selected currencies through the SaxoTreasurer platform.

## INTRODUCING BROKERS

Saxo Bank's solutions for licensed Introducing Brokers recognise the differing needs of this specialised group. Its offering comprises platforms, flexible account structures, easy-to-manage trading setups, dedicated front and back office services and marketing support.

## WHITE LABEL SOLUTIONS

One of the distinct advantages offered by Saxo Bank is a White Label solution. A White Label solution is built around a customised version of Saxo Bank's platforms branded under the White Label Client's name. A White Label Client is typically a licensed bank. Saxo Bank offers the technology, knowledge and infrastructure to enable clients to enter or expand in the online trading market.

Saxo Bank's White Label solution provides clients with integrated front and back office infrastructure, real-time risk management, client base development tools, dedicated services and go-to-market strategies to help clients develop their business.

## ASSET MANAGEMENT BUSINESS MODEL

Launched in 2009, Saxo Bank's asset management business is based on a multi-boutique concept, with four specialist investment boutiques integrated under the Saxo As-

set Management umbrella. This model focuses on investment results while encouraging transparency and innovation in meeting the needs of asset management clients, who are primarily High Net Worth individuals and institutional investors.

### Services and field of expertise

Along with a dedicated advisory business, Saxo Asset Management offers an independent selection of best-in-class financial products to support portfolio growth. Each boutique under the Saxo Asset Management umbrella – Sirius, Capital Four, Global Evolution and, the most recent addition, global equity group CPH Capital – operates independently to pursue its own unique investment strategies.

As of 2011, Saxo Asset Management's investment capabilities encompassed credit, emerging markets, global equities and wealth management.

Saxo Asset Management offers its products directly through its specialist boutiques and through two Saxo Invest vehicles, including the Saxo Invest SICAV launched in Luxembourg and a Danish Saxo Invest mutual fund.

Additionally, Saxo Properties offers handpicked Copenhagen residential, office and retail properties in closed-ended funds for High Net Worth clients and institutional investors.

### Client focus

High Net Worth clients, typically individuals or families with considerable liquid assets, often require external expertise to maintain assets, along with personalised investment management services tailored to their specific goals and risk tolerance.

Institutional investors, such as pension funds or life insurance companies, are another focus of Saxo Asset Management. These clients trade financial products in large quantities or currency amounts, and qualify for an exceptional level of professional service.



## RETAIL BANKING BUSINESS MODEL

Saxo Bank offers private banking through Saxo Privatbank and classic retail banking through Brørup Sparekasse in Jutland.

### Private banking

As part of its strategy to broaden its product and service offering to attract new client segments, Saxo Bank entered the Danish retail banking space with the acquisition of Brørup Sparekasse in 2010. Following the merger between Brørup Sparekasse and Saxo EBank, Saxo Bank's private banking concept was launched in 2011 with the opening of the first Saxo Privatbank branch in Hellerup, near Copenhagen.

Saxo Privatbank builds on the synergies created by the merger to provide a full private banking offering for the Danish market. Aimed at clients looking for high-end products and professional advisory services, the Saxo Pri-

vatbank offering also includes online banking and tools that enable clients to manage their own investments and pensions.

### Classic retail banking

Saxo Bank operates several branches of Brørup Sparekasse in Jutland, offering classic retail banking products and services, including traditional bank accounts, debit/credit cards, mortgage credit, pension products and bank advisory services. Founded in 1897, Brørup Sparekasse is known for its strong ties to the local community and continues to serve a varied clientele of retail clients and small businesses. In addition, Brørup Sparekasse serves as the engine supporting the offerings provided by Saxo Privatbank.

### Trading platform

A strategic part of the private banking offering is the trading platform that enables clients to trade financial products and manage their pension funds online. Acquired by





Saxo Bank in 2010 as part of E\*Trade's Nordic activities and subsequently offered by Saxo EBank, the platform is a familiar online trading platform for both private and professional investors in Scandinavia.

#### **MODERN WEALTH MANAGEMENT BUSINESS MODEL**

In 2009, Saxo Bank established an online investment business area, focused on developing a new product and services suite designed to cater to the Self-directed Investor. In December 2011, Saxo Bank launched its Modern Wealth Management platform in the UK.

The fundamental mindset behind the Modern Wealth Management concept is that well-informed private investors are as qualified to make decisions about their personal investments as any professional wealth manager if they are given the right set of tools and information. Modern Wealth Management combines the client value from traditional wealth management with the advantages offered by digital direct banking on a Straight Through Processing basis.

The Modern Wealth Management platform provides online tools and content often unavailable to private investors, access to a broad range of financial instruments and markets, and transparent real-time reporting to enable clients to take direct control of their investment portfolios.

Recognising the potential of social media for Self-directed investors, the platform will include social networking features which allow users to share information and ideas across investor communities.

#### **Product focus**

Premiering in the UK market, Saxo Modern Wealth Management clients are able to hold securities within three types of accounts: general investment accounts, ISA and SIPP accounts.

Mutual funds are a key focus of the platform, with more than 2,300 funds available from approximately 80 fund managers. 650 ETFs and 1,500 shares from eight ex-

changes are also available for online investing, along with Gilts, corporate bonds and certificates issued via RBS.

While no advice is provided, investors are able to seek and receive inspiration through the Ideator tool, which is a model portfolio generator. The portfolios are provided through a collaboration with Morningstar, and cater to a number of profiles to which clients are allocated based on their experience, risk appetite and investment horizons.

#### **CORPORATE SOLUTIONS BUSINESS MODEL**

The Corporate Solutions strategy is to position Saxo Bank as a preferred partner for corporate clients with a need to offset their exposure in foreign currencies.

Launched in 2011, Corporate Solutions allows Saxo Bank to bring its capabilities as a professional facilitator of investment and trading to the growing corporate FX space. The new SaxoTreasurer platform provides small and medium-sized enterprises with access to FX trading and affiliated services.

The SaxoTreasurer platform offers FX spot trading as well as forward contracts of up to six months' maturity, enabling enterprises to hedge commercial risks. In addition to providing FX trading on live prices, the platform allows clients to choose physical delivery of selected currencies.

Built on the Bank's SaxoWebTrader platform, the SaxoTreasurer platform is browser-based and accessible behind most corporate firewalls.

#### **STRATEGIC DIRECTION**

In recent years, Saxo Bank has taken strategic steps to expand its product and service offerings to reach a broader client audience. This direction has been in line with the Bank's aim to tailor offerings directly to the differing needs of various types of clients and to develop Saxo Bank from being a niche player within derivatives to being a provider of a range of more traditional banking offerings.



## TRADER AND INVESTOR VIEW

Market segmentation plays a key role in the development of Saxo Bank's product and service offerings. The Bank has identified four distinct types of clients, each with varying levels of experience and degrees of risk appetite, and with unique needs in relation to services, products and online product capabilities.

Saxo Bank has been careful to understand these differing needs and develops its product and service offerings accordingly. The core of these offerings, which spans all client groups, remains the usage of the Bank's technology to facilitate online trading and investment.

## Saxo Bank's target clients are categorised in four groups:

### Segment 1: The Sophisticated Trader

The Sophisticated Trader is an expert in one or more financial products and is interested in the broad product suite and tools provided in the SaxoTrader. The Sophisticated Trader is a demanding client and requires expert service.

### Segment 2: The Self-directed Trader

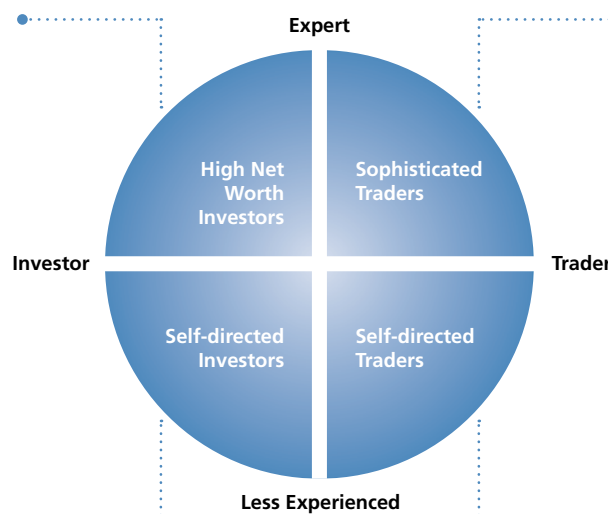
The Self-directed Trader is interested in an online and broad financial product suite that enables full self-service. The trader is price sensitive and uses communities and other online discussion groups to determine the next trade.

### The High Net Worth Investor

- Institutional investor or a client with significant investable assets
- Requires expert personal service
- Expertise and a documented track record are required
- Operates off-line and emphasises the importance of personal service and relationship management

### The Self-directed Investor

- Less risk appetite than the Trader
- Needs access to investor information and analysis before investment decisions are taken
- Online and information oriented
- Requires a full-service concept



### The Sophisticated Trader

- An expert in one or more financial products
- Online oriented and interested in the broad product suite and tools provided in Saxo Trader
- Demanding client and requires expert service

### The Self-directed Trader

- Online oriented
- Interested in a broad financial product suite that enables full self-service
- Price sensitive
- Uses communities and other online discussion groups to assist in determining the next trade



### **Segment 3: The Self-directed Investor**

The Self-directed Investor typically has less risk appetite than the trader. The Self-directed Investor is online and information-oriented and requires a full self-service concept.

### **Segment 4: The High Net Worth Investor**

The High Net Worth Investor is an institutional investor or a client with significant investable assets. This segment requires expert personal service. The High Net Worth Investor requires in-depth expertise and a documented track record. The High Net Worth Investor typically operates offline and emphasises the importance of personal service and relationship management.

While the defined client groups are approached separately from a commercial point of view, the key driver in the business structure remains the use of the Bank's core tech-

nological capabilities across all segments. The aim is to service clients through technology and capacity utilisation as well as to fully exploit business synergies. The traditional part of Saxo Bank is the Commercial Group, which provides products and services to the traders (segments 1, 2 and 3).

Saxo Bank's online investment business area focuses on the development of the Modern Wealth Management product and service suite designed to cater to the Self-directed Investor (segment 3), while the banking area focuses on the development of traditional banking and pension products for the Danish market (segments 3 and 4).

Finally, Saxo Asset Management caters to the top segment of investors, defined as High Net Worth individuals and institutional investors (segment 4).





## OPERATIONAL REVIEW OF THE YEAR

In line with the strategic focus to expand its product and service offerings, 2011 witnessed continued growth in the Bank's core business area of online trading and investment. At the same time, a number of commercial milestones were achieved in the newly established business areas, including asset management, retail banking, Modern Wealth Management and Corporate Solutions.

### ONLINE TRADING BUSINESS

Online trading and investment remains Saxo Bank's core business area, and in 2011, enhancements of the product and service offerings in this area continued to be a key focus of the Bank.

The result within the online trading and investment business was attained due to continued growth in client collateral deposits.

During 2011, the value of clients' collateral deposits related to online trading and investment grew by more than 26% to approximately DKK 26.7 billion as of 31 December.

### Product development

There were two major product launches for Saxo Bank in 2011, as well as a number of enhancements to existing products, particularly in support of the Bank's regional expansion plans.

Binary touch options were launched in July 2011. Suitable for the novice and professional trader, binaries offer exposure to foreign exchange volatility (a one touch option) or lack of it (a no touch option), with a known premium and payout. Saxo Bank's binaries are differentiated from the majority of short-term betting-type products in that they can be both bought or sold by the trader and they can be closed online on live prices before hitting the trigger level or expiry. Saxo Bank also offers maturities of up to six months, a benefit appreciated by professional traders.

Contract options on futures and cash indices were launched in late 2011, marking the culmination of the first phase of one of the largest projects the Bank has ever

undertaken. Contract options are aimed at sophisticated retail and professional traders who realise the value of being able to hedge exposure to underlying instruments or enhance portfolio performance by using options. Saxo Bank has also enhanced the transparency of the costs of trading options by charging no carrying costs or minimum fees, meaning smaller trades will not be penalised and clients know their transaction costs regardless of how long they hold positions for.

To support the expansion of the Bank's geographical footprint, an Exchanges on-boarding team was established in 2011. The result has been the extension of the Japanese and Polish equity offerings to include stocks, the launch of South African stocks and CFDs for offshore clients and the launch of Czech CFDs in December. The team also established a healthy pipeline of exchanges for launch in 2012.

In response to increasing trader interest in the Chinese renminbi, Saxo Bank began offering trading in the offshore yuan cross, USDCNH, in September, with live streaming prices up to USD 3 million.

Elsewhere, Saxo Bank expanded the availability of half margin on CFDs to the first EUR 300,000 of a client's funds from EUR 50,000. The S&P volatility index future, the VIX, was also made available for trading by clients.

### Platforms

#### SaxoTrader and WebTrader 2.5 upgrade

In 2011, Saxo Bank launched a major upgrade to its SaxoTrader and WebTrader platforms aimed at improving the client trading experience. Large, intuitive icons promote faster navigation, a new open positions module allows clients to manage positions and related orders in one integrated workflow, and an account toolbar enables viewing account status anywhere on the platform.

The user interface upgrade contained two significant changes: the navigation structure is now enclosed within a more graphical ribbon-style menu, and all product icons have been updated to improve product differentiation as well as the look and feel.



This upgrade marks an important step for Saxo Bank in its mission to provide fast and easy-to-use analytics and execution tools for the active investor.

### **Mobile trading platforms**

Saxo Bank also launched its first market information and trading apps for both iPhone and Android. The apps provide a wealth of free financial market content such as news, analysis, research, financial calendar, quotes and charts on more than 13,000 instruments. In addition, users can access Saxo Bank's trading education programme, TradeMentor, or sign up for a free trial account directly from the app and practice trading for 20 days.

Saxo Bank clients can also log in and use the app to view their account status, place or cancel orders and trade all Saxo Bank products.

The new app utilises the open source HTML5 technology and provides access to the financial markets. It is equipped with cross-platform capabilities and is optimised for fast and responsive finger touch trading.

Saxo Bank will also allow its White Label Clients to roll out their own versions of the mobile apps to their respective client bases. The full implementation with all White Label Clients is expected to be completed in 2012.

### **MetaTrader offering**

In 2011, Saxo Bank acquired 25% of Leverage, a technological partner and broker solutions provider. Through this strategic acquisition and partnership Saxo Bank took the first step toward offering the non-proprietary MetaTrader 4 trading application to its clients. Leverage offers a full turnkey solution for brokerage companies on the MT4 platform, from which Saxo Bank can also develop its planned MT4 offering. Saxo Bank expects to begin commercialising a co-branded SaxoLeverage MT4 offering in 2012.

Saxo Bank's decision to offer MT4 comes in response to increased demand from clients for automated trading solutions. MetaTrader has become one of the most popular

non-proprietary FX trading platforms and has opened new distribution channels as well as the possibility of integration with other trading systems.

The MT4 client segment uses algorithmic trading, Expert Advisors, integration with third-party tools and communities.

### **Content and communities**

In 2011, Saxo Bank continued to focus on content and social media for retail traders and investors.

### **TradingFloor.com**

At the end of June, Saxo Bank launched a new version of TradingFloor.com, the online home of commentary and analysis from Saxo Bank's Strategy Team. The upgrade modernised the look and feel of the site, and enhanced the user experience by adding a membership system and the ability to create personal dashboards displaying filtered content. The release also created the foundation for turning TradingFloor.com into a social media platform, due for release in early 2012.

The new version also facilitates the contribution of content from third parties, particularly the Bank's White Label Clients and Introducing Brokers, meaning those clients do not have to invest in social media or content portals of their own.

### **EuroInvestor**

In 2011, Saxo Bank acquired a majority stake in EuroInvestor, a Danish listed company, which focuses on providing online financial information through the investor portal EuroInvestor.com.

During 2012, the EuroInvestor portal will launch internationally with Cockpit, a new way to view financial markets with customisable pages and screen-sharing functionalities. International users will also be able to subscribe to Saxo Bank equity research reports and stock screening tools.

The EuroTrader trading platform, launched in 2010, will be more prominent in 2012 and will be able to on-board clients in additional markets outside Denmark.



EuroInvestor also expects to harvest several synergies with TradingFloor.com during 2012, laying the foundation for future social media expansion.

### **Social media**

Traders and investors are using social media to gather financial information, seek out peers and exchange trading and investment ideas.

In 2011, Saxo Bank continued to expand its social engagement across all the main social sites, including Facebook, Twitter, LinkedIn and YouTube, as well as participating in finance specific communities such as Bloomberg Business Exchange.

During the year, Saxo Bank's global Facebook following grew by 154%, while Twitter followers also increased by 66%. Saxo Bank now reaches over 10,000 Twitter users daily. The Bank was also one of the first companies to establish a GooglePlus page.

Social media is expected to remain a focus of the Bank's brand and marketing strategy in 2012.

### **Awards**

For nearly a decade, Saxo Bank has garnered industry recognition for its online trading platforms, multi-product offering, prices and services.

Saxo Bank's results in the Euromoney FX survey 2011 were particularly encouraging, as the Bank was voted into top spot in six categories, including 'Best Improved Overall Market Share By Volume (\$10bn – \$25bn)' and 'Best Improved Overall Market Share By Volume (\$5bn – \$10bn)' as well as 'Best Speed of Execution', 'Best Research and Analytics', 'Best Effective Risk Management and Execution Strategies' and 'Best Integrated Workflow and Compliance Solutions'. The Euromoney survey is considered the benchmark for the FX industry and is now in its 22nd year.

Saxo Bank was recognised for 'Best Active Trading Tools' at the 2011 Shares Awards, voted by the readers of Shares magazine, a weekly publication for stock market professionals and private investors in the UK.

Saxo Bank also won the 'Best Liquidity Distribution Service' award at the e-FX Awards 2011 hosted by FX Week in New York. The annual e-FX Awards recognise industry excellence in electronic foreign exchange from banks and vendors.

Finally, Saxo Bank was named 'Best Forex Broker in Northern Europe' and 'Best White Label Solution Provider' at the World Finance Foreign Exchange Awards 2011.

### **Geographical expansion**

Headquartered in Copenhagen, Saxo Bank today is present in 21 countries. Seven new offices were launched through acquisitions or green field setups in 2011, marking the largest geographical expansion during a calendar year in the Bank's history.

In January, Saxo Bank opened its fourth office in Asia Pacific: Saxo Capital Markets Hong Kong Limited (SCM HK). The office extends the Bank's presence in the region to meet growing demand for retail trading in Hong Kong.

Another key footprint was established when Saxo Capital Markets Panama opened in March. This marked Saxo Bank's first physical presence in Latin America, targeting institutional and White Label Clients.

In October, a new representative office was opened in Moscow, enabling Saxo Bank to further support the growing Russian market and offer broker services to the local investor base. In addition, Saxo Bank launched new offices in Belgium and Cyprus. In Johannesburg, Saxo Bank acquired New Street Brokers, and consequently Saxo Bank South Africa was launched. Finally, in December, Saxo Bank acquired Commodity Broking Services Pty Ltd in Australia. The company has been renamed Saxo Capital Markets (Australia) Pty Ltd and will continue to operate under its existing Australian Financial Services License.

Saxo Bank's geographical expansion is expected to continue in 2012 and potential locations around the world are now being considered as new opportunities for the Bank.



### **Institutional client focus**

During 2011, Saxo Bank increased its focus on the institutional client segment and added a number of new White Label Clients across the regions. The Bank achieved a milestone this year, with the 10 year anniversary of its first White Label Client. This confirms the long-term nature of Saxo Bank's White Label relationships, and is also a testament to the value of this business.

The Bank also added focus and resources aimed at increasing business with investment managers, private banks and funds. Saxo Bank's multi-asset platform and the access it provides to a large number of global markets are key features for this client segment.

In 2011, Saxo Bank also invested in updating its solution for "managed accounts" whereby trading accounts of retail traders are managed by Introducing Brokers, typically professional asset management companies. The new "Money Manager" solution addresses the preference of many investors and asset managers to relate the manager's commission to investment performance rather than the volume traded.

Finally, the Bank launched an improved B2B offering and on-boarded the first new clients using this offering. Saxo Bank will continue expanding on these efforts in 2012.

### **Private client focus**

In 2010, Private Business introduced a new commercial infrastructure to support the international setup. 2011 saw further standardisation of system infrastructure as well as marketing, sales and client handling processes throughout the client lifecycle. Minimum standards of efficiency, traceability and homogenous experience have been implemented, while allowing for individual market needs and characteristics. During the year, a private business benchmark reporting tool covering marketing and sales processes was developed and is now in use for global and local tracking.

Another initiative in 2011 was the development and implementation of a client communication engine and related communication concept to support the client experience throughout the client lifecycle.

To gain a more detailed understanding of client segments in the market, Saxo Bank performed a conjoint survey and analysis of website visitors, leads, clients and market panels in 2011. The findings enable the Bank to better identify target segments and tailor its offerings to these clients.

Major campaigns during 2011 included global campaigns for the upgrade of the SaxoTrader platform, FX binary touch options, three TV campaigns based on the "Good to Great" concept, as well as several general multi-asset campaigns.

In August 2010, Saxo Bank and SunGard, a US software and IT services company, announced they would join forces as co-title sponsors for Riis Cycling in 2011. The new cycling team was named Saxo Bank-SunGard Professional Cycling Team. The Bank, together with SunGard, organised numerous sponsorship activities throughout 2011, from special client and employee events to media and PR initiatives across the Bank's regions.

In 2012, Saxo Bank will assume the full title sponsorship of Riis Cycling. The Bank's decision to once again become sole title sponsor of the team is expected to further build on the advantages that Saxo Bank believes are extended through its commitment to Riis Cycling.

### **The regions**

Saxo Bank operates in a number of regions worldwide, and while all regions have the same mandate to service their clients and grow a profitable business, the regions vary in size, complexity and coverage. Some regions are run from local offices, while others are run more remotely, primarily out of Copenhagen, London, Singapore, Paris or Zurich.

### **Asia Pacific**

In 2011, the Asia Pacific region continued to show strong performance in both private and institutional business and became the first region ever to reach DKK 6 billion in terms of client collateral deposits.

While Singapore remains the cornerstone of Saxo Bank's presence in Asia Pacific, business was complemented by contributions from other offices in the region. In the first quarter of the year, the region opened a new office in



Hong Kong which has already on-boarded a number of clients and is expected to make a strong contribution to 2012 revenues.

Japan remains one of the world's major FX markets, and the Bank's Japanese retail business grew during the year, with similar growth anticipated in 2012.

To lay the foundation for Saxo Bank's entry in the Australian retail space, an Australian White Label Client was acquired in late 2011. Already a strong wholesale business, the new entity is expected to benefit immediately in 2012 from the Saxo Bank brand in terms of incremental revenue.

During 2011, Singapore added new client service desks to accommodate the region's Bahasa and Chinese-speaking clients.

Singapore, as regional hub, will continue to focus on further strengthening of the region's infrastructure to accommodate growth plans and regional expansion.

#### **Central Eastern Europe**

In 2011, Saxo Bank's Eastern Europe and Southern Europe regions were transformed into the new Central Eastern Europe region. This change was implemented to focus on the similarities of the markets of Central and Eastern Europe and support further expansion in the local markets.

During the year, the Central Eastern Europe region opened a representative office in Moscow as a strategic move to strengthen and expand Saxo Bank's presence in Russia, one of the world's largest markets. The focus of the office is to provide support for local High Net Worth investors, as well as to establish relationships with Russian financial institutions.

Another important initiative in 2011 was the opening of an office in Limassol, Cyprus that will focus on supporting both local and regional clients.

A number of new White Label relationships have been signed and launched with key financial institutions in the region, while on the private client side the region contin-

ued to emphasise its services towards experienced and wealthier investors. Although FX continues to be the most traded instrument, multi-product functionality and the stability offered by a Danish bank remained key differentiation points for clients in the region.

#### **Latin Region**

The Latin region's largest markets, Portugal and Spain, were particularly affected by the Eurozone crisis in 2011. Despite a decline in the existing business, the region saw an increasing number of institutions interested in exploring the benefits of Saxo Bank's White Label solution, and negotiations with several banks in the region have been initiated.

During 2011, the region continued to expand its business in Latin America mainly through a new office in Panama. New legislation regarding FX trading for retail investors was introduced in Panama in late 2011, opening up a new range of business opportunities in the area. The Panama office is already leveraging on this, as new clients are approaching the office on a regular basis.

In 2012, Latin region staff in Copenhagen will be relocated to Madrid and Panama to be closer to potential clients. The Madrid office will accommodate institutional and private business for the Iberian Peninsula, and will increase the focus on High Net Worth investors.

#### **Middle East**

Despite political turmoil in the Middle East and global economic concerns, the region continued to experience significant growth in client collateral deposits and number of clients. Earnings for the region were close to 2010's record performance, and the Middle East as a region continues to take a larger share of the Bank's total earnings.

While organic growth was the focus for 2011, a number of initiatives were set in motion to secure further growth in 2012, including the recently launched Islamic Stock Screener that allows investors to identify and trade Islamic compliant stocks on 25 different exchanges.

During 2011, the Middle East region strengthened its institutional focus with organisational changes as well as the



launch of a number of commercial initiatives. While the effect has already been evident in 2011, the full results of these efforts are expected to fully materialise in 2012.

### **Nordic Region**

The Nordic region continued its sharp focus on the “active trader” trading FX and CFDs. Norway remains the largest market for the Nordic region in terms of both volume and revenue.

In 2011, the Nordic region increased its focus on larger and more complex financial institutions which can leverage their business relationships with Saxo Bank. Both the private and institutional teams have been strengthened during the year.

### **Western Europe**

Paris, the regional head office, has successfully grown the business of the region throughout the year. Important milestones have been reached in the Amsterdam and Milan offices as part of a reactivation plan of the business in those two countries. Both revenues and client collateral deposits have increased significantly in 2011 in all offices. Paris has also focused on regional expansion with the opening of a brand new office in Brussels which provides Belgian investors with access to international financial markets.

The region is still driven mainly by retail business with a more than 70% of revenues share in 2011. The institutional pipeline is promising, and a number of contacts have been initiated during 2011 with leading banks and financial clients. On the product side, FX remains the largest revenue contributor, but futures and equity volumes have increased due to communication efforts focusing on the multi-product offering.

### **Switzerland**

Responsible for the market area Switzerland, Liechtenstein, Germany and Austria, Saxo Bank (Schweiz) AG has seen a steady growth in the number of private clients as well as increased institutional business in 2011. During the last two years, the marketing strategy as well as the product and service offering have succeeded in increasing brand awareness throughout the region.

With the traditional Swiss market undergoing a transformation, there is growing interest from institutional clients in Switzerland. Saxo Bank (Schweiz) AG has ranked highly in local market surveys, which supports the inflow of new clients. Income and business generated are becoming increasingly diversified, and while FX remains the main product, the region has seen a strong increase in business generated from CFDs, options, futures and equities.

### **UK**

The UK branch became a fully licensed UK subsidiary in 2011 and is now able to offer direct accounts with Saxo Capital Markets UK Ltd. Clients and the business will benefit from the security and confidence of being onshore and under UK law.

In October, Saxo Capital Markets also launched a licensed entity in Johannesburg, South Africa. The South African management team brings solid institutional experience and African market contacts anticipated to lead to further growth.

A new operating model was deployed mid-year, adding resources to retail and institutional sales, and streamlining client trading service. The objective of the model is to cater for the higher end of the market, giving the region more assets and greater diversification. In 2011, clients' collateral deposits have grown by 88%.

### **SAXO ASSET MANAGEMENT**

Saxo Asset Management has established a strong presence with core competencies in the areas of Danish bonds, global equities and international high-yield and emerging market bonds. Building on this basis, Saxo Bank launched a Luxembourg SICAV structure in 2011. The products offered out of the Luxembourg setup are planned to be distributed internationally through Saxo Bank offices around the world as well as through external distribution channels.

During 2011, Saxo Asset Management grew its assets under management, continuing the positive performance of 2010. The value of assets under management increased more than 8% to approximately DKK 39.7 billion as of 31



December 2011. This includes funds invested on behalf of other companies within the Saxo Bank Group. As in the previous year, growth in assets under management was achieved solely with organic growth by signing up new clients.

### **Saxo Properties**

During 2011, Saxo Properties announced an agreement with Resolution Property, the pan-European real estate fund. The focus of the joint venture will be on co-investing up to EUR 250 million in central Copenhagen-based business and residential properties with refurbishment potential.

### **RETAIL BANKING**

Saxo Privatbank was launched in May 2011, with the first branch opening in Hellerup, Denmark, next to the Saxo Bank headquarters. Catering to Danish clients looking for premium private banking services, Saxo Privatbank offers access to senior personal advisors, advisory tools within investment and wealth optimisation. Full-service banking is also available at the branch, including credit cards, bank accounts, mortgage credit, pension products and bank advisory services.

### **Integration and restructuring**

In 2011, the primary focus was on establishing a product and service offering combining the core competencies within Brørup Sparekasse and Saxo EBank. The new entity, Saxo Privatbank, provides the full product offering to clients, with a dedicated focus towards the Danish market. Following this strategy, the Stockholm office – formerly part of Saxo EBank – is in the process of being closed down and the Danish organisation has been scaled accordingly.

At the end of 2011, Saxo Privatbank had a total loan balance of DKK 1.3 billion and a total deposit balance of DKK 1.7 billion within classic retail and private banking. Deposit surplus grew from DKK 72 million to DKK 427 million during the year. In addition, the trading platform is offered to the combined client base with client collateral deposits of more than DKK 8.5 billion.

### **MODERN WEALTH MANAGEMENT**

The focus for Modern Wealth Management in 2011 has been on designing and building the necessary components of the value chain to support the operating model, as well as establishing the commercial framework to support the launch and growth of the business in the UK.

For its launch in the UK, the Modern Wealth Management product suite was aligned with UK clients' expectations. An important part of the preparation has been to enable Saxo Bank to offer tax-efficient accounts: ISAs and SIPPs. Saxo Bank also entered into an agreement with Cofunds to expand its funds proposition to private investors.

Significant efforts were directed towards creating a unique and intuitive experience on the Modern Wealth Management platform, including the integration of investment tools into a straightforward common purchasing process and leveraging the use of infographics.

Modern Wealth Management's first client started investing online in December 2011. While the focus in 2012 will be on confirming the validity of the Modern Wealth Management concept through a successful launch in the UK, Saxo Bank will also prepare for further roll-out of the business in other regions.

### **CORPORATE SOLUTIONS**

Corporate Solutions was launched in 2011 to bring Saxo Bank products and new services to the corporate client segment.

During 2011, Corporate Solutions developed the SaxoTreasurer platform for small and medium sized enterprises, and in September an offering focused on FX trading was launched in the Danish market.

In the coming year, Corporate Solutions will focus on building its client base by continuing to on-board new clients from within existing networks and by strengthening relationships with other financial institutions.



20 : 15 Panama

01 : 15 United Kingdom

02 : 15 Belgium, Czech Republic, Denmark, France,

03 : 15 Greece, Cyprus, South Africa

05 : 15 Dubai, Russia

06 : 45 India

09 : 15 Hong Kong, Singapore

10 : 15 Japan

12 : 15 Australia



Italy, The Netherlands, Spain, Sweden, Switzerland



# FINANCIAL STATEMENTS

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## INCOME STATEMENT – SAXO BANK GROUP

### 1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2011	2010
3	Interest income	1,010,115	948,332
4	Interest expense	(238,016)	(168,835)
	<b>Net interest income</b>	<b>772,099</b>	<b>779,497</b>
5	Fee and commission income	981,951	1,044,434
6	Fee and commission expense	(880,264)	(1,147,531)
	<b>Net interest, fees and commissions</b>	<b>873,786</b>	<b>676,400</b>
7	Price and exchange rate adjustments	2,653,073	2,661,694
	<b>Operating income</b>	<b>3,526,859</b>	<b>3,338,094</b>
8	Other income	79,802	10,765
9, 11	Staff costs and administrative expenses	(2,498,552)	(2,230,328)
	Depreciation, amortisation and impairment of intangible and tangible assets	(220,225)	(163,464)
	Other expenses	(582)	(38,285)
12	Impairment charges for receivables, loans, advances etc.	(48,392)	(14,022)
19	Income from associates	9,024	11,050
	<b>Profit before tax</b>	<b>847,934</b>	<b>913,810</b>
13	Tax	(230,184)	(270,297)
	<b>Net profit</b>	<b>617,750</b>	<b>643,513</b>
	<b>Proposed allocation of net profit</b>		
	Shareholders of Saxo Bank A/S	619,165	643,874
	Non-controlling interests	(1,415)	(361)
	<b>Net profit</b>	<b>617,750</b>	<b>643,513</b>



STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK GROUP  
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2011	2010
	<b>Net profit</b>	<b>617,750</b>	<b>643,513</b>
	<b>Other comprehensive income</b>		
	Exchange rate adjustments	35,727	220,754
37	Fair value adjustment of cash flow hedges:		
	Effective portion of changes in fair value	(60,762)	(25,994)
	Net amount transferred to profit or loss	11,750	12,526
37	Hedge of net investments in foreign entities	(23,657)	(100,060)
28	Actuarial gains/(losses)	(2,133)	-
13	Tax on other comprehensive income	18,424	28,251
	<b>Total other comprehensive income</b>	<b>(20,651)</b>	<b>135,477</b>
	<b>Total comprehensive income</b>	<b>597,099</b>	<b>778,990</b>
	<b>Proposed allocation of total comprehensive income</b>		
	Shareholders of Saxo Bank A/S	598,514	779,351
	Non-controlling interests	(1,415)	(361)
	<b>Total comprehensive income</b>	<b>597,099</b>	<b>778,990</b>



## STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP AT 31 DECEMBER

Note	(DKK 1,000)	2011	2010	1 January 2010
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	1,364,841	557,724	217,480
14	Receivables from credit institutions and central banks	6,946,639	2,759,951	3,510,496
15	Trading assets	12,932,734	13,757,301	9,064,992
16	Loans and advances at amortised cost	1,690,399	1,989,898	92,159
17	Investment securities	59,800	45,857	3,571
	Current tax assets	66,623	42,283	39,147
18	Assets held for sale	7,851	4,855	-
19	Investments in associates	287,949	258,735	256,171
20	Intangible assets	2,087,013	1,525,575	973,839
22	Investment properties	19,407	28,008	-
23	Tangible assets	1,057,646	894,154	856,024
24	Deferred tax assets	139,895	135,501	16,348
	Other assets	357,415	437,852	180,307
	<b>Total assets</b>	<b>27,018,212</b>	<b>22,437,694</b>	<b>15,210,534</b>



STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP  
AT 31 DECEMBER

Note	(DKK 1,000)	2011	2010	1 January 2010
<b>LIABILITIES</b>				
25	Debt to credit institutions and central banks	486,238	577,812	478,479
15	Trading liabilities	2,765,450	2,315,238	1,102,375
26	Deposits	17,519,441	14,506,080	10,128,802
27	Issued bonds at amortised cost	849,618	-	-
	Current tax liabilities	21,695	41,033	27,995
28	Pension and similar obligations	-	2,584	3,010
24	Deferred tax liabilities	323,616	169,018	46,881
29	Provisions	106,643	207,872	197,142
	Other liabilities	802,968	796,040	481,464
30	Subordinated debt	902,512	941,977	409,283
	<b>Total liabilities</b>	<b>23,778,181</b>	<b>19,557,654</b>	<b>12,875,431</b>
<b>EQUITY</b>				
31	Share capital	66,598	66,547	66,513
	Translation reserve	163,694	145,709	-
	Hedging reserve	(47,122)	(10,232)	-
	Retained earnings	3,032,082	2,668,133	2,258,470
	<b>Shareholders of Saxo Bank A/S</b>	<b>3,215,252</b>	<b>2,870,157</b>	<b>2,324,983</b>
	Non-controlling interests	24,779	9,883	10,120
	<b>Total shareholder equity</b>	<b>3,240,031</b>	<b>2,880,040</b>	<b>2,335,103</b>
	<b>Total liabilities and equity</b>	<b>27,018,212</b>	<b>22,437,694</b>	<b>15,210,534</b>



STATEMENT OF CHANGES IN EQUITY – SAXO BANK GROUP  
AT 31 DECEMBER

(DKK 1,000)	Shareholders of Saxo Bank A/S					Non-controlling interests	Total
	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total		
<b>Equity 1 January 2010</b>	<b>66,513</b>	-	-	<b>2,258,470</b>	<b>2,324,983</b>	<b>10,120</b>	<b>2,335,103</b>
Net profit	-	-	-	643,874	643,874	(361)	643,513
<b>Other comprehensive income</b>							
Exchange rate adjustments	-	220,754	-	-	220,754	-	220,754
Fair value adjustment of cash flow hedges	-	-	(13,468)	-	(13,468)	-	(13,468)
Hedge of net investments in foreign entities	-	(100,060)	-	-	(100,060)	-	(100,060)
Tax on other comprehensive income	-	25,015	3,236	-	28,251	-	28,251
Total other comprehensive income	-	145,709	(10,232)	-	135,477	-	135,477
<b>Total comprehensive income</b>	-	<b>145,709</b>	<b>(10,232)</b>	<b>643,874</b>	<b>779,351</b>	<b>(361)</b>	<b>778,990</b>
<b>Transactions with owners</b>							
Acquisitions	-	-	-	-	-	569	569
Share-based payments	-	-	-	18,900	18,900	-	18,900
Dividend paid to shareholders	-	-	-	(256,639)	(256,639)	(1,121)	(257,760)
Increase in share capital	34	-	-	3,528	3,562	-	3,562
Transactions with non-controlling interests	-	-	-	-	-	676	676
<b>Equity 31 December 2010</b>	<b>66,547</b>	<b>145,709</b>	<b>(10,232)</b>	<b>2,668,133</b>	<b>2,870,157</b>	<b>9,883</b>	<b>2,880,040</b>
Net profit	-	-	-	619,165	619,165	(1,415)	617,750
<b>Other comprehensive income</b>							
Exchange rate adjustments	-	35,727	-	-	35,727	-	35,727
Fair value adjustment of cash flow hedges	-	-	(49,012)	-	(49,012)	-	(49,012)
Hedge of net investments in foreign entities	-	(23,657)	-	-	(23,657)	-	(23,657)
Actuarial gains/(losses)	-	-	-	(2,133)	(2,133)	-	(2,133)
Tax on other comprehensive income	-	5,915	12,122	387	18,424	-	18,424
Total other comprehensive income	-	17,985	(36,890)	(1,746)	(20,651)	-	(20,651)
<b>Total comprehensive income</b>	-	<b>17,985</b>	<b>(36,890)</b>	<b>617,419</b>	<b>598,514</b>	<b>(1,415)</b>	<b>597,099</b>
<b>Transactions with owners</b>							
Acquisitions	-	-	-	-	-	18,297	18,297
Share-based payments	-	-	-	2,400	2,400	-	2,400
Dividend paid to shareholders	-	-	-	(246,090)	(246,090)	-	(246,090)
Dividend treasury shares	-	-	-	139	139	-	139
Increase in share capital	51	-	-	6,171	6,222	-	6,222
Treasury shares in business combinations	-	-	-	(8,699)	(8,699)	-	(8,699)
Disposal of treasury shares	-	-	-	4,130	4,130	-	4,130
Transactions with non-controlling interests	-	-	-	(10,095)	(10,095)	(1,986)	(12,081)
Other capital movements in subsidiaries	-	-	-	(1,426)	(1,426)	-	(1,426)
<b>Equity 31 December 2011</b>	<b>66,598</b>	<b>163,694</b>	<b>(47,122)</b>	<b>3,032,082</b>	<b>3,215,252</b>	<b>24,779</b>	<b>3,240,031</b>





## STATEMENT OF CAPITAL BASE – SAXO BANK GROUP AT 31 DECEMBER

(DKK 1,000)	2011	2010
Total equity	3,240,031	2,880,040
Guaranteed capital	198,627	241,824
Intangible assets <sup>1)</sup>	(2,282,326)	(1,691,309)
Deferred tax liabilities, intangible assets <sup>2)</sup>	232,575	131,238
Deferred tax assets	(139,895)	(135,501)
<b>Core Tier 1 capital</b>	<b>1,249,012</b>	<b>1,426,292</b>
Hybrid capital	97,815	99,708
Fair value adjustment of cash flow hedges	47,122	10,232
Investments in associates (50%) <sup>3)</sup>	(37,257)	-
<b>Tier 1 capital</b>	<b>1,356,692</b>	<b>1,536,232</b>
Subordinated loans, reduced value	497,291	502,041
Investments in associates (50%) <sup>3)</sup>	(37,257)	-
Investments in associates (100%) <sup>3)</sup>	-	(70,291)
<b>Capital base</b>	<b>1,816,726</b>	<b>1,967,982</b>
<sup>1)</sup> Including goodwill and other intangible assets from associates of DKK 195.3 million (2010: DKK 165.7 million).		
<sup>2)</sup> The Group has when calculating the Core Tier 1 capital decided to use the regulatory possibility to reduce the intangible assets with the amount of the deferred tax liabilities related hereto. As from 2011 the total equity is therefore reduced with the intangible assets and increased with the related deferred tax liabilities in the capital calculation. The comparative figures for 2010 are restated accordingly.		
<sup>3)</sup> Relate to investments in associates which are credit institutions, excluding goodwill.		
<b>Risk weighted items</b>		
Credit risk	3,930,694	4,134,975
Market risk	3,460,562	3,846,627
Operational risk	5,177,818	3,951,725
<b>Total risk weighted items</b>	<b>12,569,074</b>	<b>11,933,327</b>
Core Tier 1 capital ratio	9.9%	12.0%
Tier 1 capital ratio	10.8%	12.9%
Solvency ratio	14.5%	16.5%



## CASH FLOW STATEMENT – SAXO BANK GROUP AT 31 DECEMBER

(DKK 1,000)	2011	2010
<b>Cash flow from operating activities</b>		
Profit before tax	847,934	913,810
Adjustment for non-cash operating items:		
Income from associates	(9,024)	(11,050)
Amortisation and impairment charges of intangible assets	142,378	100,669
Depreciation and impairment charges of tangible assets and investment properties	77,847	62,795
Warrants, non-cash	2,400	18,900
Tax paid	(110,585)	(95,925)
Other non-cash operating items	(26,596)	(1,133)
<b>Total</b>	<b>924,354</b>	<b>988,066</b>
Changes in operating capital:		
Receivables from credit institutions and central banks	(35,082)	(38,215)
Derivative financial instruments with positive fair value	(1,594,397)	(1,298,197)
Loans and advances at amortised cost	300,706	(53,114)
Bonds	2,466,191	(2,843,225)
Other assets	91,535	(112,892)
Debt to credit institutions and central banks	(93,189)	(103,290)
Derivative financial instruments with negative fair value	378,069	1,085,608
Deposits	2,899,633	1,079,722
Provisions and other liabilities	(50,400)	147,963
<b>Cash flow from operating activities</b>	<b>5,287,420</b>	<b>(1,147,574)</b>
<b>Cash flow from investing activities</b>		
Acquisition of businesses	(104,837)	(320,209)
Cash and cash equivalents from acquisitions	14,293	1,527,636
Acquisition of associates and other participating interests	(71,396)	(1,403)
Acquisition of intangible and tangible assets	(755,630)	(401,234)
Sale of intangible and tangible assets	4,457	20,043
<b>Cash flow from investing activities</b>	<b>(913,113)</b>	<b>824,833</b>
<b>Cash flow from financing activities</b>		
Redemption of subordinated debt	(39,465)	(12,499)
Issued bonds at amortised cost	849,618	-
Dividends paid	(246,090)	(256,639)
Increase in share capital	6,222	3,562
Disposal of treasury shares	4,130	-
<b>Cash flow from financing activities</b>	<b>574,415</b>	<b>(265,576)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,948,722</b>	<b>(588,317)</b>
Cash and cash equivalents at 1 January	3,274,731	3,723,246
Exchange rate adjustments on cash and cash equivalents	10,001	139,802
<b>Cash and cash equivalents at 31 December</b>	<b>8,233,454</b>	<b>3,274,731</b>
<b>Cash and cash equivalents at 31 December</b>		
Cash in hand and demand deposits with central banks	1,364,841	557,724
Amounts due from credit institutions and central banks within three months.	6,868,613	2,717,007
<b>Cash and cash equivalents at 31 December</b>	<b>8,233,454</b>	<b>3,274,731</b>



## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies

The consolidated financial statements of Saxo Bank A/S for the year ended 31 December 2011 comprise Saxo Bank A/S and its subsidiaries (together referred to as "the Group").

##### **Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the EU and interpretations of such standards issued by the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the consolidated financial statements comply with the requirements in the Danish FSA's executive order No. 1306 dated 16 December 2008 on the application of IFRS by entities subject to the Danish Financial Business Act. In previous years, the consolidated financial statements were prepared in accordance with the Danish Financial Business Act. As a result of the transition to IFRS, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

On 8 March 2012, the Board of Directors and Board of Management considered and approved the annual report for the financial year 2011 for Saxo Bank A/S. The annual report will be submitted for approval by the shareholders of Saxo Bank A/S at the annual general meeting on 12 April 2012.

##### **Transition to IFRS**

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 31 December 2011, the comparative information presented in these consolidated financial statements for the year ended 31 December 2010 and in the preparation of an opening IFRS statement of financial position at 1 January 2010 (the Group's date of transition).

The transition to IFRS has not affected the Group's financial position or financial performance as the consolidated financial statements previously were prepared in accordance with the Danish Financial Business Act (previous GAAP) which is compliant with IFRS on recognition and measurement.

Cash flow statement was not a requirement under previous GAAP and consequently not part of the consolidated financial statements issued under previous GAAP.

At transition to IFRS the following exemptions in IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied:

##### **Cumulative translation differences**

Exchange rate adjustments arising on translation of the opening balance of equity of foreign entities (including goodwill) at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity. 1 January 2010 the Group has in accordance with IFRS 1 deemed the cumulative translation reserve to be zero.

##### **Historical information defined benefit plans**

In accordance with IFRS 1 the Group has disclosed historical information on defined benefit plans for each accounting period prospectively from the date of transition to IFRS only and not for the current annual period and previous four annual periods as required in IAS 19 Employee Benefits.

##### **Comparative figures**

Trust accounts in favor of clients in foreign entities were in the annual report 2010 recognised as part of Receivables from credit institutions and central banks with a corresponding liability recognised in Deposits. These Trust accounts are no longer recognised in the statement of financial position as they are not to be accounted for as accounts of the Group. The comparative figures have therefore been changed with DKK 1.45 billion at 31 December 2010 and DKK 0.84 billion at 1 January 2010 (transition date).

Beside this certain minor changes have been made due to reclassification in the comparative figures for 2010.

##### **Basis of preparation**

These consolidated financial statements are presented in Danish kroner (DKK) (rounded to nearest DKK thousand), which is also Saxo Bank A/S' functional currency.

These consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which are measured at fair value: trading assets, investment securities, investment properties and trading liabilities. Assets classified as held for sale are measured at the lower of the carrying amount before the changed classification and fair value less costs to sell. Domicile properties are carried at a revalued amount.

##### **Basis of consolidation**

The consolidated financial statements comprise Saxo Bank A/S and subsidiaries in which Saxo Bank A/S has control over the financial and operating policies in order to obtain a return or other benefits from its activities. Control is presumed to exist, when Saxo Bank A/S owns, directly or indirectly, more than 50% of the voting rights in an entity or otherwise has a controlling interest (including de facto control).



## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies - continued

Entities in which the Group has significant influence, but which it does not control, are considered associates. Significant influence is generally presumed to exist when the Group owns directly or indirectly more than 20% of the voting rights but less than 50%.

A list of Group companies is included in note 41.

The consolidated financial statements have been prepared as a consolidation of the financial statements of Saxo Bank A/S and the subsidiaries' prepared according to the Group's accounting policy. The consolidated financial statements are prepared by consolidating items of the same nature. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

The accounting items for subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of the net profit/loss for the year and of the equity of the subsidiaries, is included in the Group's net profit/loss and equity respectively, but is disclosed separately.

#### Business combinations

Acquired entities are recognised in the consolidated financial statements from the date of acquisition. The date of acquisition is the date when the Group effectively obtains control of the acquired entity.

For acquisitions of subsidiaries and associates the acquisition method is used. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to fair value adjustments is recognised.

If uncertainties exist at the acquisition date regarding identification or measurement of acquired identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition date and comparative figures are restated accordingly.

The cost of a business combination comprises the fair value of the consideration agreed upon. If part of the consideration is conditional upon future events, this is included in the cost to the extent that the events are probable and the consideration can be measured reliably. Acquisition related costs are recognised in the income statement as incurred.

Changes in estimates of contingent consideration relating to business combinations effected on or after 1 January 2010 are generally recognised in the income statement. However, if new information becomes available within 12 months from the acquisition date and provides evidence of conditions relating to the contingent consideration or circumstances that existed at the acquisition date, the acquisition accounting is adjusted with effect on goodwill. For business combinations effected prior to 1 January 2010 subsequent adjustments to estimates of contingent consideration continue to be recognised in goodwill.

In a business combination achieved in stages (step acquisition), the shareholding held immediately before the step acquisition is remeasured at fair value at the acquisition date and recognised as the cost of the shareholding in the entity. Gain or losses from the remeasurement is recognised in Other income.

In each business combination, it is decided transaction by transaction whether or not to recognise goodwill related to non-controlling interests.

If the cost of the acquisition exceeds the fair value of the net assets acquired, the excess amount is recognised as goodwill. Goodwill is recognised in the functional currency of the entity acquired.

On acquisition of non-controlling interests (i.e. subsequent to the Group obtaining control) acquired net assets are not remeasured at fair value. On acquisition of non-controlling interests, the difference between the cost and the non-controlling interests' share of total carrying amount including goodwill is transferred from the non-controlling interests' share of equity to equity attributable to the shareholders of Saxo Bank A/S. The amount deducted cannot exceed the non-controlling interests' share of equity immediately before the transaction. On disposal of shareholdings to non-controlling interests, the difference between the sales price and the share of total carrying amount, including goodwill, acquired by the non-controlling interests is transferred from equity attributable to the shareholders of Saxo Bank A/S to the non-controlling interests' share of equity.

#### Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Foreign currency translation

The functional currency of each of the Group's entities is the currency of the country in which the entity is domiciled, as most income and expenses are settled in local currency. Transactions denominated in currencies other than the functional currency are considered transactions in foreign currency.



## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies - continued

Transactions in foreign currency are translated at the exchange rate of the entity's functional currency at the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rates at the end of the reporting period. Realised and unrealised gains and losses are recognised in the income statement as foreign exchange rate adjustments.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of the Group (DKK), the income statements are translated at the exchange rates at the transaction date. Statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange rate adjustments arising on translation of opening balance of equity of foreign entities (including goodwill) at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period, are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

On recognition in the consolidated financial statements of associates with a functional currency other than the presentation currency of the Group (DKK), the share of profit/loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the end of the reporting period. Foreign exchange rate adjustments arising on translation of share of the opening balance of equity of foreign associates at the exchange rates at the end of the reporting period, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the end of the reporting period, are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

On complete or partial disposal of a foreign entity, the share of the cumulative amount of the exchange rate adjustments recognised in other comprehensive income relating to that foreign entity is recognised in the income statement when the gain or loss on disposal is recognised.

#### Hedge accounting

When a derivative or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign entity, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and attributed to a separate translation reserve in equity. Any ineffective portion of changes in the fair value of the hedging instrument is recognised immediately in the income statement. The amount recognised in other comprehensive income is reclassified and included in the income statement on disposal of the foreign entity.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised liability the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and attributed to a separate hedging reserve in equity. The amount is reclassified to the income statement as a reclassification adjustment in the same period as the hedged cash flows affect the income statement. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

### INCOME STATEMENT

#### Interest, fees and commissions

Interest income and expense is recognised in the income statement, using the effective interest method on the basis of the cost of the individual financial instrument. Premiums on forward transactions are accrued over the lifetime of the transactions and included in interest income.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Net premiums on forward transactions related to foreign exchange and securities are recognised as Interest income.

Received and paid fees and commissions result from trading with equities, derivative financial instruments and from investment management. Fees and commissions are recognised as income when services are delivered or received.

#### Price and exchange rate adjustments

Price and exchange rate adjustments comprise gains and losses related to trading asset, trading liabilities and investments securities including realised and unrealised fair value changes, foreign exchange differences and fair value adjustments to investments properties.

#### Operating income

Operating income is not split on geographical markets. The underlying market conditions do not vary as the products and services are offered through online trading platforms.

#### Other income

Other income includes items that are secondary to the Group's activities. This includes operating income from non-financial activities, gain/loss on step acquisitions, adjustments to contingent considerations etc.

#### Staff costs and administrative expenses

Salaries and other remuneration that the Group pays for work carried out during the year are expensed under Staff costs and administrative expenses, including the value of share-based payments.



## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies - continued

##### Share-based payments

The Board of Directors, the Board of Management and other employees have been granted warrants in 2007 and 2008. The warrants are measured at fair value at the time of allocation and are recognised as an expense under Staff costs and administrative expenses over the vesting period. Expenses are set off against shareholders' equity.

In connection with initial recognition of the warrants, the expected number of exercisable warrants is estimated. Subsequent adjustments are made for changes in the estimate. The fair value of the warrants is estimated using the Black Scholes valuation method. The calculation takes into account the terms and conditions under which the warrants are allocated.

##### Other expenses

Danish financial entities participated in the Danish State Guarantee arrangement which expired on 30 September 2010 (Bank Package I) and participates in the Danish Guarantee Fund for Depositors and Investors. Guarantee commission is recognised in Other expenses. The liability to cover possible losses under the schemes is recognised as a provision when a loss is probable and can be measured reliably.

Amounts related to the loss guarantee to the Danish Private Contingency Association are recognised as Impairment charges for receivables, loans, advances etc.

##### Impairment charges for receivables, loans, advances etc.

Impairment charges include losses on and impairment charges against receivables from credit institutions, loans, advances and guarantees.

##### Income from associates

Income from associates comprises the Group's share of the profit and loss after tax.

##### Income taxes

Income tax expense comprises current tax and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement and the tax expense relating to items recognised in other comprehensive income is recognised directly in other comprehensive income.

Saxo Bank A/S is subject to the Danish rules on mandatory joint taxation of the Group's Danish companies. Danish subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation. The current Danish corporation tax is allocated between the Danish jointly taxed companies in proportion to their taxable income. The jointly taxed Danish companies are taxed under the on-account tax scheme.

### STATEMENT OF FINANCIAL POSITION

#### Receivables from credit institutions and central banks

Receivables from credit institutions and central banks are measured at amortised cost less reduction for impairment.

#### Financial instruments generally

Financial assets are classified in the following categories at the date of recognition:

- trading assets, which are measured at fair value;
- loans, advances and receivables, which are measured at amortised cost less reduction for impairment;
- financial assets designated at fair value, with value adjustments being recognised in the income statement (fair value option).

Financial liabilities are classified in the following categories at the date of recognition:

- trading liabilities, which are measured at fair value;
- other financial liabilities, which are measured at amortised cost.

Purchase and sale of financial assets and liabilities are accounted for on the trade date.

#### Trading assets and trading liabilities

Trading assets and trading liabilities are part of the Group's trading portfolio. Trading assets comprise equities, bonds, derivative financial instruments with positive fair value and unsettled spot transactions. Trading liabilities consist of derivatives financial instruments with negative fair value and unsettled spot transactions.

At initial recognition, the trading assets and liabilities are measured at fair value, excluding transaction costs. Subsequently, the trading assets and liabilities are measured at fair value. Realised and unrealised gains and losses and dividends are recognised in Price and exchange rate adjustments.

Fair value of financial assets and liabilities that are traded in active markets is measured on the basis of quoted market prices. The fair value of such instruments is determined on the basis of the most recently observable closing prices at the reporting date. For matching positions mid prices are applied as the basis for determining the fair value of the matching position and bid/ask prices on the open net position, respectively.



## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies - continued

If quoted prices are not available, fair value is established using valuation techniques. Valuation techniques range from discounted cash flow analysis to complex option pricing models.

##### **Loans and advances at amortised cost**

Initial recognition is based on fair value plus transaction costs and less fees, charges and commissions received in connection with loan origination. Subsequently loans and advances are measured at amortised cost less reduction for impairment.

##### **Impairment of loans, advances or amount receivable**

If objective evidence of impairment of a loan, an advance or amount receivable exists the Group determines the impairment charge individually.

The impairment charge equals the difference between the carrying amount and the present value of the expected future cash flows from the loan including realisation value of any collateral. The impairment charge is adjusted if the present value of the expected future cash flows is changed.

Significant loans, advances and amounts due are tested individually for impairment at the end of each reporting period.

Loans and advances (retail banking activities) without objective evidence of impairment are included in an assessment of collective impairment on a portfolio basis. Collective impairment is calculated for portfolios of loans and advances with similar credit characteristics. The loans and advances are divided into portfolios based on current ratings.

Collective impairment is calculated as the difference between the carrying amount of the loans and advances of the portfolio and the present value of expected future cash flows.

##### **Investment securities**

Investment securities are initially measured at fair value. The Group designates some investment securities at fair value, with fair value changes recognised in income statement, when the investment securities are managed, evaluated and reported internally on a fair value basis.

##### **Asset held for sale**

Asset held for sale are tangible assets actively marketed for sale within 12 months. Such assets are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated.

##### **Investments in associates**

Investments in associates are measured in accordance with the equity method, which means that the investments are measured at the proportionate share of the net asset value of the associates at the reporting date, including purchase price allocations upon initial recognition.

##### **Intangible assets**

Goodwill arises on the acquisition of subsidiaries and associates and is calculated as the difference between the cost of acquisition and the fair value of the net assets, including contingent liabilities, at the time of acquisition. Subsequently goodwill is measured at cost less accumulated impairment. Goodwill on associates is recognised under Investments in associates.

Software developed by the Group is recognised as an asset if the cost of development is reliably measurable and an analysis shows that future economic benefits from using the software application exceed the cost. Cost is defined as development costs incurred to make each software application ready for use. Once a software application has been developed the cost is amortised over the expected useful life. The cost of development consists primarily of direct remuneration and other directly attributable development costs. Expenses incurred in the planning phase are not capitalised, but expensed when incurred.

Client relationships and trademarks acquired in a business combination are measured at the time of acquisition at their fair value and amortised over their expected useful life.

Amortisation periods are as follows:

Software . . . . .	3-5 years
Client relationships . . . . .	4-15 years
Trademarks . . . . .	15 years

Goodwill is not amortised, but an impairment test is made at least once a year. Other intangible assets are tested for impairment if indications of impairment exist. Intangible assets are written down to the recoverable amount if the carrying amount exceeds the higher of the fair value less cost to sell and the value in use.

Amortisation and impairment charges are recognised in the income statement.



## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies - continued

##### Properties

###### *Investment properties*

Investment properties are recognised at cost upon acquisition and subsequently measured at fair value. Rental income is recognised in Other income and operating expenses are recognised in Other expenses. Fair value adjustments are recognised in Price and exchange rate adjustments.

###### *Domicile properties*

Domicile properties are properties occupied by the Group. Domicile properties are at initial recognition recognised at cost. Subsequently domicile properties are measured at revalued amount representing the fair value. Revaluations are made with regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. An increase in the carrying amount as a result of a revaluation is recognised in other comprehensive income and attributed to a separate revaluation reserve in equity. If an increase reverses a revaluation decrease previously recognised in the income statement the increase is recognised in the income statement. A decrease in the carrying amount as a result of a revaluation is recognised in the income statement.

The fair value is determined according to an asset return model or observable market price. The asset return model includes the property's rental income, operating expenses, as well as management and maintenance, etc. Operating expenses and maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used etc. The return rate is calculated on the basis of the location of the individual property, potential use, condition, term of lease etc.

##### Tangible assets

Leasehold improvements, fixtures, equipment and vehicles, IT equipment and airplanes are measured at cost.

The tangible assets are generally depreciated on a straight-line basis over the estimated useful life. Depreciation periods are as follows:

Domicile properties . . . . .	50 years
Leasehold improvements . . . . .	5 years
Fixtures, equipment and vehicles. . . . .	3-5 years
IT equipment . . . . .	3-5 years
Airplanes . . . . .	40 years

Tangible assets are tested for impairment if indications of impairment exist. An impaired asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Depreciation and impairment charges are recognised in the income statement.

##### Amounts due to credit institutions and central banks and deposits

Amounts due to credit institutions and central banks and deposits are measured at amortised cost.

##### Issued bonds at amortised cost

Bonds issued comprise the Group's issued bonds. At initial recognition issued bonds are measured at fair value, equaling the payment received less directly attributable costs incurred. Subsequently, issued bonds are measured at amortised cost.

##### Pension and similar obligations

The Group has entered into retirement benefits schemes and similar arrangements with the majority of the Group's employees.

Contributions to defined contribution plans are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the statement of financial position as other liabilities.

For defined benefit plans an annual actuarial calculation is made of the present value of future benefits under the defined benefit plan. For defined benefit plans, the Group has an obligation to pay defined future benefits from the time of retirement. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates and inflation, time of retirement and mortality.

Pension costs for the year are recognised in the income statement based on actuarial estimates and financial expectations at the beginning of the reporting period. Any difference between the expected development in pension plan assets and liabilities and realised amounts determined at the reporting date constitutes actuarial gains or losses and is recognised in other comprehensive income. The actuarial present value of defined benefit obligations less the fair value of plan assets is recognised in the statement of financial position under retirement benefit obligations.

##### Provisions

Provisions are recognised when, as a result of events arising before or at the end of the reporting period, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are discounted if the effect is material to the measurement of the liability.





## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies - continued

##### **Subordinated debt**

Subordinated debt comprises of subordinated loans, hybrid capital and guaranteed capital which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until any other creditor claims has been honored.

At initial recognition subordinated debt is measured at fair value, equaling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost.

##### **Tax**

Current tax liabilities is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for tax payable in respect of previous years and for tax paid on account.

Deferred tax is measured in accordance with the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is not recognised in respect of temporary differences regarding goodwill that is not amortisable for tax purposes and other items for which temporary differences have arisen at the time of acquisition without this having an impact on the profit/loss or the taxable income. Where the tax base may be calculated according to different taxation rules, deferred tax is measured based on management's planned use of the assets, or, as the case may be, the planned repayment of the liability.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised at the amount at which they are expected to be realised, either by offset against taxes on future earnings, or through offset against deferred tax liabilities within the same taxable entity and jurisdiction.

Deferred tax assets and liabilities are offset if the entity has a legal right to offset current tax liabilities and tax assets or intends to either settle current tax liabilities and tax assets on a net basis, or realise the assets and the liabilities at the same time.

Deferred tax is measured on the basis of the tax regulations and tax rates enacted or substantively enacted at the end of the reporting period. Any changes in deferred tax resulting from changed tax rates are recognised in the income statement.

##### **Shareholders' equity**

###### *Revaluation reserve*

The revaluation reserve comprises revaluations of domicile properties after the recognition of deferred tax.

###### *Translation reserve*

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities arisen from 1 January 2010. The reserve also includes translation of derivative financial instruments (liabilities) that hedge the Group's net investment in foreign entities.

###### *Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

##### **Proposed dividends**

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting (time of declaration). Dividend proposed to be distributed for the year is included under Shareholders' equity until adoption of the dividend proposal.

##### **Treasury shares**

Treasury shares are not recognised as assets. Proceeds related to acquisition or disposal of treasury shares are recognised directly in Retained earnings under Shareholders' equity.

##### **Non-controlling interests**

Non-controlling interests comprise the share of the shareholders' equity not owned directly or indirectly by Saxo Bank A/S, equaling the carrying amount of the net assets in subsidiaries not owned directly or indirectly by Saxo Bank A/S.



## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies - continued

##### CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. The cash flow statement is based on the profit before tax for the year and shows cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalent during the year.

Cash and cash equivalents comprise cash balances, demand deposits with central banks and receivables from credit institutions and central banks with less than three months to maturity.

##### NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS

IASB has published the following standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2011:

The following standards are relevant for the Group and are published by IASB, but not yet adopted by the EU:

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 12 Income taxes
- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 32 Financial Instruments: Presentation

The Group adopts the new standards and interpretations when they become mandatory. None of the standards and interpretations are expected to have a material impact on the consolidated financial statements of the Group.



## NOTES – SAXO BANK GROUP

### Note

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#### 2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements of the Group requires management to make judgements, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of the Group's assets and liabilities, income and expenses.

Certain accounting policies are considered to be particularly important to the financial position of the Group, the majority of which relate to matters that are inherently uncertain. Critical estimates and judgements have the most substantial impact on the consolidated financial statements in the following areas:

- fair value measurement of financial instruments
- measurement of loans and advances
- measurement of goodwill
- recognition of deferred tax assets

The estimates are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

##### **Fair value measurement of financial instruments**

Measurements of financial instruments based on prices quoted in an active market or based on generally accepted valuation techniques employing observable market data are not subject to critical estimates.

Measurements of financial instruments that are not fully based on observable market data, such as unlisted equities and certain bonds for which there is no active market, are subject to estimates. Classification of financial instruments using the fair value hierarchy is disclosed in note 36 Accounting classifications and fair values.

##### **Measurement of loans and advances**

The Group makes impairment charges to account for any impairment of loans and advances that occurs after initial recognition. Impairment charges consist of individual and collective charges and rely on a number of estimates, including identification of loans or portfolios of loans with objective evidence of impairment, expected future cash flows and the expected value of collateral.

Impairment charges are based on the Group's determination of the client's expected ability to repay the debt, depending on several factors such as the client's earnings capacity, employment, and trends in general economic growth.

The Risk management section on page 101 provides more details on impairment charges for loans and advances, on rating of loans portfolio and collateral held.

##### **Measurement of goodwill**

Goodwill on acquisition is tested for impairment at least once a year. Impairment testing requires that management estimates future cash flows from acquired entities. A number of factors affect the value of such cash flows, including discount rates, changes in expected long-term growth, capital requirements, economic development and other variables. Note 21 Impairment test provides more information on impairment testing.

##### **Recognition of deferred tax assets**

Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. Recognition of deferred tax assets requires management's assessment of the probability and amount of future taxable profit for entities with unused tax losses. Note 24 Deferred tax assets and deferred tax liabilities provides more information about deferred tax assets.



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>3</b>	<b>Interest income</b>		
	Credit institutions and central banks	38,320	50,265
	Loans and advances	155,253	53,687
	Bonds	295,814	348,301
	Derivative financial instruments	520,728	496,079
	<b>Total interest income</b>	<b>1,010,115</b>	<b>948,332</b>
	Interest added to financial assets subject to individual impairment amounted to DKK 0.5 million (2010: DKK 0.4 million).		
<b>4</b>	<b>Interest expense</b>		
	Credit institutions and central banks	(39,640)	(38,449)
	Deposits	(47,463)	(41,914)
	Issued bonds	(26,134)	-
	Subordinated loans	(32,834)	(15,878)
	Guaranteed capital	(15,273)	(2,597)
	Derivative financial instruments	(75,419)	(69,997)
	Other interest expense	(1,253)	-
	<b>Total interest expense</b>	<b>(238,016)</b>	<b>(168,835)</b>
<b>5</b>	<b>Fee and commission income</b>		
	Trading with equities and derivative financial instruments	879,629	958,936
	Payment services fees	3,392	433
	Origination fees	13,215	2,579
	Guarantee commissions	556	95
	Asset management fees	77,090	80,907
	Other fee and commission income	8,069	1,484
	<b>Total fee and commission income</b>	<b>981,951</b>	<b>1,044,434</b>
<b>6</b>	<b>Fee and commission expense</b>		
	Trading with equities and derivative financial instruments	(880,264)	(1,147,531)
	<b>Total fee and commission expense</b>	<b>(880,264)</b>	<b>(1,147,531)</b>



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>7</b>	<b>Price and exchange rate adjustments</b>		
	Bonds	(149,261)	(178,539)
	Investment securities	(13,834)	(2,667)
	Foreign exchange	2,430,827	2,556,676
	Derivative financial instruments	385,341	286,224
	<b>Total price and exchange rate adjustments</b>	<b>2,653,073</b>	<b>2,661,694</b>
<b>8</b>	<b>Other income</b>		
	Revaluation gain on step acquisition	29,525	-
	Income from non-financial activities	28,055	6,029
	Other	22,222	4,736
	<b>Total other income</b>	<b>79,802</b>	<b>10,765</b>
<b>9</b>	<b>Staff costs and administrative expenses</b>		
	Staff costs	(1,278,496)	(1,102,982)
	Administrative expenses	(1,220,056)	(1,127,346)
	<b>Total staff costs and administrative expenses</b>	<b>(2,498,552)</b>	<b>(2,230,328)</b>
	<b>Staff costs</b>		
	Salaries	(1,072,431)	(942,438)
	Share-based payments	(2,400)	(18,900)
	Defined benefit plans	4,873	700
	Defined contribution plans	(81,168)	(60,343)
	Social security expenses and financial services employer tax	(127,370)	(82,001)
	<b>Total staff costs</b>	<b>(1,278,496)</b>	<b>(1,102,982)</b>
	Average number of employees (converted into full-time equivalents)	<b>1,413</b>	<b>964</b>



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 9 Staff costs and administrative expenses - continued

#### Remuneration to Board of Directors and Board of Management

2011	Board of Directors	Board of Management
Salaries and other remuneration	(5,333)	(23,899)
Defined contribution plans	-	(4)
Share-based payments	-	-
<b>Total remuneration</b>	<b>(5,333)</b>	<b>(23,903)</b>
<b>2010</b>		
Salaries and other remuneration	(3,971)	(18,621)
Defined contribution plans	-	(4)
Share-based payments	(50)	(11,000)
<b>Total remuneration</b>	<b>(4,021)</b>	<b>(29,625)</b>

		2011	2010
<b>Remuneration to Board of Directors</b>			
Asiff Hirji	From 14 December 2011	-	-
Dennis Malamatinas	From 15 March 2007	(1,000)	(1,428)
Florian Wendelstadt	From 20 June 2005 until 14 December 2011	(1,833)	-
Henrik Thufason (Chairman)	From 27 June 2001 until 6 April 2010	-	(418)
Isabel Ferreira	From 6 April 2010 until 14 December 2011	-	-
John Korsø Jensen	From 27 June 2001 until 6 April 2010	-	(293)
Julian Michael Simmonds	From 7 March 2006 until 6 April 2010	-	(288)
Karl Petersen	From 14 December 2011	-	-
Kurt K. Larsen (Chairman)	From 6 April 2010	(1,500)	(938)
Thomas Plenborg	From 6 April 2010	(1,000)	(656)
<b>Total remuneration to Board of Directors</b>		<b>(5,333)</b>	<b>(4,021)</b>

The Board of Directors receives remuneration for duties performed in Saxo Bank A/S. The remuneration is a fixed annual fee. Board of Directors' participation in the 2007 warrant programme is described in note 10 Share-based payments. All warrants granted as part of the 2007 warrant programme expired in 2010 and the Board of Directors have no warrants as at 31 December 2011.



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>9</b>	<b>Staff costs and administrative expenses - continued</b>		
	<b>Remuneration to Board of Management</b>		
	Kim Fournais	(11,964)	(14,932)
	Lars Seier Christensen	(11,939)	(14,693)
	<b>Total remuneration to Board of Management</b>	<b>(23,903)</b>	<b>(29,625)</b>

Board of Management receives no variable remuneration, and the Group has no pension liabilities regarding Board of Management.

The Board of Management participates in the 2007 and 2008 warrant programme described in note 10 Share-based payments. The warrants have an exercise price of 148 per share. The exercise of the shares is locked up until 30 June 2014.

### Significant risk takers

Salaries and remuneration to significant risk takers included in Staff costs amounts to DKK 189.8 million. The Group has 41 employees with significant influence on the Group's risk profile determined based on the guidance in the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups. Salaries and remuneration to the 41 significant risk takers consist of fixed remuneration in total DKK 154.7 million and variable remuneration in total DKK 35.1 million. The Group has no pension liabilities regarding significant risk takers as their pension schemes are defined contribution plans. Variable remuneration is determined according to the Group's remuneration policy and is based on the performance of the individual person. Risk takers in controlling functions do not receive variable remuneration. Some of the significant risk takers participate in the warrant programme described in note 10 Share-based payments.

The Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups is effective for 2011 why no significant risk takers were identified in 2010 and therefore no comparative figures have been included.

Disclosures according to the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups are available at the Group's website [www.saxoworld.com](http://www.saxoworld.com). The disclosures are not covered by the statutory audit.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 10 Share-based payments

Warrants were granted in 2007 (2,156,644 warrants) and 2008 (2,849,840 warrants) to Board of Directors, Board of Management and employees. The exercise price of the granted warrants is equal to the market price on the date of the grant. The warrants are conditional on the performance of the individual and of the Group and/or presence of the holders concerned.

At the time of grant the fair value of the warrants granted in 2007 was estimated to DKK 13 million and the fair value of the warrants granted in 2008 was estimated to DKK 55 million. The fair value was measured using the Black-Scholes option pricing model based on the assumptions at the time of grant concerning time to maturity, risk-free interest rate (3%), volatility (20% in 2007 and 25% in 2008), and exercise restrictions etc.

The warrants are accounted for as equity-settled transactions. The fair value at grant date of these warrants is expensed in the income statement over the vesting period from 2007 to 2014. In 2011, DKK 2.4 million was recognised under Staff cost and administrative expenses (2010 DKK 18.9 million).

Number of warrants	Average exercise price	Board of Directors	Board of Management	Employees	Total
Outstanding at 1 January 2010	132	51,364	1,770,000	2,570,620	4,391,984
Forfeited	104	-	-	(531,619)	(531,619)
Exercised	103	-	-	(34,584)	(34,584)
Expired	103	(51,364)	-	(475,696)	(527,060)
Outstanding at 31 December 2010	141	-	1,770,000	1,528,721	3,298,721
Forfeited	105	-	-	2,390	2,390
Exercised	122	-	-	(51,015)	(51,015)
Expired	148	-	-	(248,492)	(248,492)
<b>Outstanding at 31 December 2011</b>	<b>141</b>	<b>-</b>	<b>1,770,000</b>	<b>1,231,604</b>	<b>3,001,604</b>

Out of the 3,298,721 outstanding warrants as per 1 January (2010: 4,391,984 warrants), 773,978 warrants (2010: 561,644 warrants) were exercisable in 2011. Warrants exercised in 2011 resulted in 51,015 shares (2010: 34,584 shares) being issued at an exercise price of DKK 103 or DKK 148 each (2010: DKK 103 each).

Warrants outstanding at 31 December have the following exercise price, expiry date and exercise period:

	Exercise price	Expiry date	Exercise period	2011	2010
2007 warrants	103	2014	2012 - 2014	474,471	501,679
2008 warrants	148	2014	2012 - 2014	2,527,133	2,797,042
<b>Total warrants outstanding</b>				<b>3,001,604</b>	<b>3,298,721</b>





## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>11</b>	<b>Audit fees</b>		
	Fees for statutory audit	(4,472)	(3,957)
	Fees for assurance engagements other than audit	(1,864)	(976)
	Fees for tax advice	(1,188)	(2,504)
	Fees for other services	(14,437)	(14,034)
	<b>Total audit fees</b>	<b>(21,961)</b>	<b>(21,471)</b>
	Related to audit firm appointed at the annual general meeting to perform statutory audit. Audit fees are included in administrative expenses.		
<b>12</b>	<b>Impairment charges for receivables, loans, advances etc.</b>		
	Loans and advances	(91,296)	(14,231)
	Reversals of impairment from previous years	42,904	209
	<b>Total impairment charges for receivables, loans, advances etc.</b>	<b>(48,392)</b>	<b>(14,022)</b>
<b>13</b>	<b>Tax</b>		
	Taxation on profit for the year	(59,126)	(105,444)
	Changes in deferred tax	(151,094)	(139,341)
	Adjustments related to previous years' taxation	(1,540)	2,739
	<b>Tax on total comprehensive income</b>	<b>(211,760)</b>	<b>(242,046)</b>
	Of which is recognised in other comprehensive income	18,424	28,251
	<b>Tax on profit recognised in the income statement</b>	<b>(230,184)</b>	<b>(270,297)</b>
	Current tax rate	25.0%	25.0%
	Effective tax rate	27.4%	29.9%
	<b>Reconciliation of effective tax rate</b>		
	Profit before tax excluding income from associates	838,910	902,760
	Tax using the domestic corporation tax rate including CFC taxation	(209,727)	(225,690)
	Effect of tax rates in foreign jurisdictions	(1,406)	(9,603)
	Non tax-deductible expenses	(7,880)	(8,005)
	Unrecognised tax losses	(9,898)	(6,762)
	Recognition of previously unrecognised tax losses	1,270	-
	Other adjustments related to previous years	(2,543)	(20,237)
	<b>Total income tax expense recognised in income statement</b>	<b>(230,184)</b>	<b>(270,297)</b>



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 13 Tax - continued

#### Tax recognised in other comprehensive income

2011	Before tax	Tax	Net of tax
Exchange rate adjustments	35,727	-	35,727
Fair value adjustment of cash flow hedges	(49,012)	12,122	(36,890)
Hedge of net investments in foreign entities	(23,657)	5,915	(17,742)
Actuarial gains/losses	(2,133)	387	(1,746)
<b>Total</b>	<b>(39,075)</b>	<b>18,424</b>	<b>(20,651)</b>
<b>2010</b>			
Exchange rate adjustments	220,754	-	220,754
Fair value adjustment of cash flow hedges	(13,468)	3,236	(10,232)
Hedge of net investments in foreign entities	(100,060)	25,015	(75,045)
<b>Total</b>	<b>107,226</b>	<b>28,251</b>	<b>135,477</b>

	2011	2010
<b>14 Receivables from credit institutions and central banks</b>		
Demand deposits	6,660,008	2,703,958
Within 3 months	208,605	13,049
From 3 - 12 months	8,627	-
From 1 - 5 years	42,648	42,944
More than 5 years	26,751	-
<b>Total receivables from credit institutions and central banks</b>	<b>6,946,639</b>	<b>2,759,951</b>
Amounts due within 3 months DKK 6.87 billion (2010: DKK 2.72 billion) is included in the cash flow statement under Cash and cash equivalents.		
Receivables from credit institutions	2,971,651	2,649,951
Receivables from central banks	3,971,988	110,000
<b>Total receivables from credit institutions and central banks</b>	<b>6,946,639</b>	<b>2,759,951</b>



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>15</b>	<b>Trading assets and liabilities</b>		
	<b>Trading assets</b>		
	Listed bonds	7,931,179	10,329,659
	Listed equities	5,674	8,363
	Unlisted equities	13,685	31,480
	Derivative financial instruments with positive fair value	4,982,196	3,387,799
	<b>Total trading assets</b>	<b>12,932,734</b>	<b>13,757,301</b>
	<b>Trading liabilities</b>		
	Derivative financial instruments with negative fair value	2,765,450	2,315,238
	<b>Total trading liabilities</b>	<b>2,765,450</b>	<b>2,315,238</b>
<b>16</b>	<b>Loans and advances at amortised cost</b>		
	Investment brokers	18,442	9,680
	Trading clients	366,390	571,732
	Lending clients	1,305,567	1,408,486
	<b>Total loans and advances at amortised cost</b>	<b>1,690,399</b>	<b>1,989,898</b>
	Demand deposits	442,453	599,200
	Within 3 months	120,491	233,410
	From 3 – 12 months	156,117	237,451
	From 1 – 5 years	515,386	467,341
	More than 5 years	455,952	452,496
	<b>Total loans and advances at amortised cost</b>	<b>1,690,399</b>	<b>1,989,898</b>
<b>17</b>	<b>Investment securities</b>		
	Unlisted equities	59,800	45,857
	<b>Total investment securities</b>	<b>59,800</b>	<b>45,857</b>
<b>18</b>	<b>Assets held for sale</b>		
	Property, plant and equipment	6,752	3,274
	Financial assets	1,099	1,581
	<b>Total assets held for sale</b>	<b>7,851</b>	<b>4,855</b>

Property, plant and equipment was taken over by the Group by taking possession of collateral held as security against loans and advances. Financial assets are subsidiaries established with the purpose to be sold as part of property investment projects.

The Group expects to sell the assets within twelve months from the date of classification as held for sale.



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>19</b>	<b>Investments in associates</b>		
	Cost at 1 January	249,039	255,183
	Additions	70,572	5,652
	Disposals	(56,249)	(11,796)
	<b>Cost at 31 December</b>	<b>263,362</b>	<b>249,039</b>
	Revaluation at 1 January	9,696	988
	Share of net profit	9,024	11,050
	Dividend received	-	(4,144)
	Transfer to investment in subsidiaries	(568)	1,965
	Exchange rate adjustments	6,435	(163)
	<b>Revaluation at 31 December</b>	<b>24,587</b>	<b>9,696</b>
	<b>Carrying amount at 31 December</b>	<b>287,949</b>	<b>258,735</b>

2011	Ownership	Currency	Total assets	Total liabilities	Operating income/revenue	Net profit
Banco Best S.A., Portugal	25%	EUR	462,277	428,709	27,172	5,829
Leverate Technological Trading Ltd., Israel <sup>1)</sup>	25%	ILS	8,468	6,169	8,897	1,498
Sortedam Dossering 3-9 m.fl. ApS, Denmark <sup>2)</sup>	33%	DKK	-	-	-	-
Sortedam Dossering 3-9 m.fl. P/S, Denmark <sup>2)</sup>	33%	DKK	-	-	-	-

The information disclosed is extracted from the companies' most recent annual reports.

<sup>1)</sup> Included from 1 August 2011.

<sup>2)</sup> Established 1 March 2011. No annual report has been prepared and published.

2010	Ownership	Currency	Total assets	Total liabilities	Operating income/revenue	Net profit
Banco Best S.A., Portugal	25%	EUR	451,409	423,686	24,275	4,576
Euroinvestor.com A/S, Denmark	41%	DKK	58,775	8,317	33,176	3,346

The information disclosed is extracted from the companies' most recent annual reports.

Based on the stock exchange quoted price 31 December 2010 the fair value of the investment in Euroinvestor.com A/S was DKK 93 million.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 20 Intangible assets

2011	Goodwill	Software under development	Software developed	Software purchased	Client relationships	Other	Total
Cost at 1 January	978,582	250,470	381,697	64,719	75,435	15,022	1,765,925
Additions	161,537	476,315	-	35,706	-	-	673,558
Additions from acquisitions	-	-	21,892	-	1,013	13,000	35,905
Additions from internal development	-	(594,392)	594,392	-	-	-	-
Disposals	(19,980)	-	-	-	-	-	(19,980)
Exchange rate adjustments	14,144	-	-	40	603	2	14,789
<b>Cost at 31 December</b>	<b>1,134,283</b>	<b>132,393</b>	<b>997,981</b>	<b>100,465</b>	<b>77,051</b>	<b>28,024</b>	<b>2,470,197</b>
Amortisation and impairment at 1 January	-	-	(163,296)	(45,856)	(28,700)	(2,498)	(240,350)
Amortisation for the year	-	-	(113,150)	(11,019)	(14,532)	(3,677)	(142,378)
Exchange rate adjustments	-	-	-	55	(511)	-	(456)
<b>Amortisation and impairment at 31 December</b>	<b>-</b>	<b>-</b>	<b>(276,446)</b>	<b>(56,820)</b>	<b>(43,743)</b>	<b>(6,175)</b>	<b>(383,184)</b>
<b>Carrying amount at 31 December</b>	<b>1,134,283</b>	<b>132,393</b>	<b>721,535</b>	<b>43,645</b>	<b>33,308</b>	<b>21,849</b>	<b>2,087,013</b>

In 2011, the Group expensed DKK 19 million for development projects, primarily planning costs and costs incurred after the asset was ready for use.

	2011	2010
<b>Additions and disposals to goodwill during the year</b>		
Acquisitions (100% ownership interest)	38,036	160,020
Entities acquired in a step acquisition	123,501	40,592
Adjustments to earn-outs	(17,381)	-
Adjustments to acquisition of entities in previous years	(2,599)	7,340
<b>Total</b>	<b>141,557</b>	<b>207,952</b>

Additions to goodwill and adjustments to previous year's acquisitions are further described in note 34 Acquisition of businesses.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 20 Intangible assets - continued

2010	Goodwill	Software under development	Software developed	Software purchased	Client relationships	Other	Total
Cost at 1 January	684,432	106,120	234,210	42,847	51,601	-	1,119,210
Additions	207,952	300,381	-	6,487	-	15,019	529,839
Additions from acquisitions	-	-	-	14,544	20,399	-	34,943
Additions from internal development	-	(156,031)	156,031	-	-	-	-
Disposals	-	-	(8,544)	-	-	-	(8,544)
Exchange rate adjustments	86,198	-	-	841	3,435	3	90,477
<b>Cost at 31 December</b>	<b>978,582</b>	<b>250,470</b>	<b>381,697</b>	<b>64,719</b>	<b>75,435</b>	<b>15,022</b>	<b>1,765,925</b>
Amortisation and impairment at 1 January	-	-	(94,221)	(36,682)	(14,468)	-	(145,371)
Amortisation for the year	-	-	(69,055)	(8,606)	(11,996)	(2,498)	(92,155)
Impairment in the year	-	-	(8,497)	-	-	-	(8,497)
Reversal of amortisation and impairment, disposals	-	-	8,501	-	-	-	8,501
Exchange rate adjustments	-	-	(24)	(568)	(2,236)	-	(2,828)
<b>Amortisation and impairment at 31 December</b>	<b>-</b>	<b>-</b>	<b>(163,296)</b>	<b>(45,856)</b>	<b>(28,700)</b>	<b>(2,498)</b>	<b>(240,350)</b>
<b>Carrying amount at 31 December</b>	<b>978,582</b>	<b>250,470</b>	<b>218,401</b>	<b>18,863</b>	<b>46,735</b>	<b>12,524</b>	<b>1,525,575</b>

In 2010, the Group expensed DKK 5 million for development projects, primarily planning costs and costs incurred after the asset was ready for use.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 21 Impairment test

The Group performs impairment tests of goodwill and intangible assets not yet available for use annually and whenever there is an indication that these intangibles may be impaired. Intangible assets with finite life and property, plant and equipment are tested if there are indications of impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units (CGU) which are the smallest identifiable groups of assets that generate cash inflows largely independent of the cash inflows from other assets or activities.

The recoverable amount of each cash generating unit (CGU) is determined on the basis of either the CGU's fair value less cost to sell or its value in use. The debt structure of financial institutions requires the use of discounted dividend model to calculate the present value of future cash flows. For non-financial CGU's a discounted cash flow model is applied. The cash flow projections are based on budgets approved by management covering the following year and business plans (for the following one to five years or until earnings normalise). For impairment testing, a long-term growth rate is determined on the basis of forecast GDP rates in the country in which the CGU operates. The estimated dividend flow/cash flow is discounted at a post-tax CGU specific discount rate.

No impairment losses on goodwill or intangible assets not yet available for use were recognised in 2011 (2010: nil).

The carrying amount of goodwill and the key assumptions applied in the impairment testing as per 31 December 2011 are presented below for each CGU that is assessed to be significant in comparison with the Group's total carrying amount of goodwill.

	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
<b>2011</b>				
Saxo Bank (Switzerland) AG	561,666	2.00%	6.91%	8.48%
Saxo Privatbank A/S	157,971	1.00%	7.15%	8.56%
Euroinvestor.com A/S	123,501	1.00%	7.50%	9.42%
Banco Best S.A. <sup>1) 2)</sup>	130,522	2.00%	9.65%	11.81%
Other <sup>2)</sup>	344,318	-	-	-
<b>Total</b>	<b>1,317,978</b>			
<b>2010</b>				
Saxo Bank (Switzerland) AG	546,968	1.60%	6.70%	7.96%
Saxo Privatbank A/S	157,440	1.00%	7.30%	8.39%
Banco Best S.A. <sup>2)</sup>	130,522	2.00%	8.50%	10.51%
Other <sup>2)</sup>	309,386	-	-	-
<b>Total</b>	<b>1,144,316</b>			

<sup>1)</sup> The applied long-term discount rate, post tax 9.65% is calculated based on a ten year average yield on a 10 year Portuguese government bond, while the short medium term (1-5 year) discount rate, post tax applied is 18.09% based on the current yield on a 10 year Portuguese government bond.

<sup>2)</sup> Goodwill related to associates is included in the carrying amount of investments in associates.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 21 Impairment test - continued

#### Sensitivity analysis

The key assumptions described above may change as market conditions or the regulatory environment for financial institutions change.

The carrying amount of goodwill related to Saxo Bank (Switzerland) AG represents 42.6% (2010: 47.8%) of the total goodwill. A sensitivity analysis shows that the discount rate post tax can increase by 23.1 (2010: 9.5) percentage points without resulting in an impairment loss.

For the CGU with the lowest margin between recoverable amount and carrying amount a sensitivity analysis shows that the growth rate in the terminal period can decline by around 0.5 (2010: 0.2) percentage points or the discount rate post tax can increase by around 0.1 (2010: 0.1) percentage points without resulting in an impairment loss.

	2011	2010
<b>22 Investment properties</b>		
Fair value at 1 January	28,008	-
Additions from acquisitions	-	28,008
Additions including property improvement expenditure	50	-
Disposals	(2,007)	-
Reversal of revaluation regarding previous years	(744)	-
Fair value adjustments	(5,900)	-
<b>Fair value at 31 December</b>	<b>19,407</b>	<b>28,008</b>

Rental income from investment properties totalled DKK 1.8 million (2010: DKK 1.8 million). Expenses directly attributable to investment property generating rental income amounted to DKK 0.3 million (2010: DKK 0.2 million), whereas expenses directly attributable to investment property not generating rental income amounted to DKK 0.03 million (2010: DKK 0.03 million).

The required rate of return used for calculating the fair value in 2011 is in the range of 5.75% to 7.9% (2010: 5.25%).

External valuation was obtained from a real estate agent in December 2011 to support the calculation of fair value for a material part of the investment properties.





## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 23 Tangible assets

2011	Domicile properties	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Airplanes	Total
Cost at 1 January	725,571	89,437	115,955	138,556	40,943	1,110,462
Adjustment to previous years	(5,250)	-	-	-	-	(5,250)
Additions	1,207	12,771	28,407	40,639	160,534	243,558
Additions from acquisitions	-	-	205	647	-	852
Disposals	-	(420)	(1,270)	(1,248)	-	(2,938)
Exchange rate adjustments	-	484	(817)	131	-	(202)
<b>Cost at 31 December</b>	<b>721,528</b>	<b>102,272</b>	<b>142,480</b>	<b>178,725</b>	<b>201,477</b>	<b>1,346,482</b>
Revaluation at 1 January	-	-	-	-	-	-
<b>Revaluation 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation and impairment at 1 January	(11,233)	(43,571)	(43,901)	(104,206)	(13,397)	(216,308)
Adjustment to previous years	(600)	-	-	-	-	(600)
Depreciation for the year	(12,239)	(13,896)	(19,186)	(25,640)	(986)	(71,947)
Reversal of depreciation and impairment, disposals	-	303	485	1,097	-	1,885
Exchange rate adjustments	-	(1,185)	(329)	(352)	-	(1,866)
<b>Depreciation and impairment 31 December</b>	<b>(24,072)</b>	<b>(58,349)</b>	<b>(62,931)</b>	<b>(129,101)</b>	<b>(14,383)</b>	<b>(288,836)</b>
<b>Carrying amount at 31 December</b>	<b>697,456</b>	<b>43,923</b>	<b>79,549</b>	<b>49,624</b>	<b>187,094</b>	<b>1,057,646</b>

	2011	2010
<b>Domicile properties</b>		
Required rate of return used in calculating the fair value of the domicile properties	4.96%	4.75%
Carrying amount if the domicile properties were measured according to the cost method	697,456	714,338

No external valuation experts have been involved.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 23 Tangible assets · continued

2010	Domicile properties	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Airplanes	Total
Cost at 1 January	712,638	60,132	76,149	127,248	40,943	1,017,110
Additions	-	19,774	39,365	20,209	-	79,348
Additions from acquisitions	44,213	7,705	2,009	464	-	54,391
Disposals	(31,280)	(3,815)	(4,675)	(12,519)	-	(52,289)
Exchange rate adjustments	-	5,641	3,107	3,154	-	11,902
<b>Cost at 31 December</b>	<b>725,571</b>	<b>89,437</b>	<b>115,955</b>	<b>138,556</b>	<b>40,943</b>	<b>1,110,462</b>
Revaluation at 1 January	-	-	-	-	-	-
<b>Revaluation 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation and impairment at 1 January	(3,398)	(29,402)	(29,275)	(86,320)	(12,691)	(161,086)
Depreciation for the year	(11,231)	(10,075)	(13,784)	(27,016)	(706)	(62,812)
Reversal of depreciation and impairment, disposals	3,396	290	1,620	11,146	-	16,452
Exchange rate adjustments	-	(4,384)	(2,462)	(2,016)	-	(8,862)
<b>Depreciation and impairment 31 December</b>	<b>(11,233)</b>	<b>(43,571)</b>	<b>(43,901)</b>	<b>(104,206)</b>	<b>(13,397)</b>	<b>(216,308)</b>
<b>Carrying amount at 31 December</b>	<b>714,338</b>	<b>45,866</b>	<b>72,054</b>	<b>34,350</b>	<b>27,546</b>	<b>894,154</b>



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>24</b>	<b>Deferred tax assets and deferred tax liabilities</b>		
	Deferred tax at 1 January, net	(33,517)	(30,533)
	Adjustments to previous years	8,013	1,763
	Additions from acquisitions	(7,205)	132,047
	Recognised in the income statement	(151,481)	(139,341)
	Recognised in other comprehensive income	387	-
	Exchange rate adjustments	82	2,547
	<b>Deferred tax at 31 December, net</b>	<b>(183,721)</b>	<b>(33,517)</b>
	Deferred tax liabilities	(323,616)	(169,018)
	Deferred tax assets	139,895	135,501
	<b>Deferred tax at 31 December, net</b>	<b>(183,721)</b>	<b>(33,517)</b>

### Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
	2011	2010	2011	2010
Intangible assets	8,755	576	(240,537)	(131,238)
Tangible assets	489	1,763	(8,520)	2,462
Tax losses carried forward	139,510	134,162	-	-
Provisions	376	1,922	(83,794)	(43,164)
<b>Total before offset</b>	<b>149,130</b>	<b>138,423</b>	<b>(332,851)</b>	<b>(171,940)</b>
<b>Offset</b>	<b>(9,235)</b>	<b>(2,922)</b>	<b>9,235</b>	<b>2,922</b>
<b>Deferred tax assets and liabilities at 31 December</b>	<b>139,895</b>	<b>135,501</b>	<b>(323,616)</b>	<b>(169,018)</b>

Deferred tax assets and liabilities are offset in the consolidated statement of financial position if the Group has legally enforceable right to offset current tax liabilities and the deferred tax assets and liabilities relate to the same legal tax entity.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related benefit is probable. Tax losses carried forward of DKK 137.3 million (2010: DKK 134.2 million) relate to tax losses that cannot be utilised in the joint taxation of the Group's Danish companies as it relates to the period before acquisition of the companies. The recognition is supported by a business plan for the companies.

Unrecognised tax assets amount to DKK 21.3 million (2010: DKK 15.5 million). These relate to tax losses which are not expected to be utilised in the foreseeable future. The unrecognised tax assets do not expire.



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>25</b>	<b>Debt to credit institutions and central banks</b>		
	Debt on demand	57,980	134,627
	Within 3 months	1,259	1,153
	From 3 - 12 months	13,799	13,489
	From 1 - 5 years	53,167	58,509
	More than 5 years	360,033	370,034
	<b>Total debt to credit institutions and central banks</b>	<b>486,238</b>	<b>577,812</b>
<b>26</b>	<b>Deposits</b>		
	Deposits on demand	16,858,672	13,985,958
	Term deposits	244,956	151,512
	Time deposits	27,802	25,076
	Special deposits	388,011	343,534
	<b>Total deposits</b>	<b>17,519,441</b>	<b>14,506,080</b>
	Deposits on demand	16,303,338	13,983,037
	Within 3 months	86,114	131,213
	From 3 - 12 months	349,892	89,965
	From 1 - 5 years	167,617	66,914
	More than 5 years	612,480	234,951
	<b>Total deposits</b>	<b>17,519,441</b>	<b>14,506,080</b>
<b>27</b>	<b>Issued bonds at amortised cost</b>		
	From 1 - 5 years	849,618	-
	<b>Total issued bonds at amortised cost</b>	<b>849,618</b>	<b>-</b>

On 30 September and 31 December 2010, the Group made a bond issue of DKK 850 million in total under the individual government guarantee. The bonds were all sold in February 2011. The bonds were issued as bullet loans with a maturity of three years. The bond issue consists of two individual issues of DKK 400 million and DKK 450 million, respectively, which carry interests at a floating rate of six-month CIBOR plus 0.20 percentage point. The Group has the option of wholly or partially redeeming the DKK 400 million and DKK 450 million issue prematurely at par at specific dates in 2012 and 2013.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 28 Pension and similar obligations

The Group contributes to defined contribution plans as well as defined benefit plans. The majority of the pension plans are funded through payments of annual premiums to independent insurance companies responsible for the pension obligation towards the employees (defined contribution plans). In these plans the Group has no legal or constructive obligation to pay further contributions irrespective of the funding by these insurance companies. Pension costs related to such plans are recognised as expenses when incurred.

The Group only has defined benefit plans in Switzerland. A retirement benefit obligation is recognised in the statement of financial position based on an actuarial calculation of the present value at the end of the reporting period less the plan asset. The obligations are funded. The defined benefits plans are based on years of service, and retirement benefits depend on the financing determined on the basis of salary and contribution rates plus interest.

	2011	2010
<b>Defined benefit plans are recognised in the statement of financial position as follows:</b>		
Present value of defined benefit obligations	40,802	33,311
Fair value of plan assets	(40,914)	(30,727)
<b>Net obligations recognised</b>	<b>(112)</b>	<b>2,584</b>
Net obligations in 2011 is recognised in Other assets.		
<b>Change in defined benefit obligations</b>		
Total obligations at 1 January	34,201	35,312
Current service cost	3,554	3,094
Interest cost	948	964
Contributions by plan participants	2,471	2,304
Actuarial gains and losses	(549)	(2,436)
Benefits paid	122	(5,891)
Exchange rate adjustments	55	(36)
<b>Total obligations at 31 December</b>	<b>40,802</b>	<b>33,311</b>
<b>Changes in plan assets</b>		
Fair value of plan assets at 1 January	31,553	32,687
Expected return on plan assets	1,301	1,043
Actuarial gains and losses	(2,682)	(2,436)
Contributions by employer	5,442	3,059
Contributions by plan participants	2,471	2,304
Benefits paid	122	(5,891)
Adjustment previous years	2,629	-
Exchange rate adjustments	76	(39)
<b>Fair value of plan assets at 31 December</b>	<b>40,914</b>	<b>30,727</b>
<b>Actual return on plan assets</b>		
Expected return	1,301	1,043
Actuarial gains and losses	(2,682)	(2,436)
<b>Actual return</b>	<b>(1,381)</b>	<b>(1,393)</b>



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>28</b>	<b>Pension and similar obligations - continued</b>		
	<b>Plan assets consist of the following:</b>		
	Equity securities	20.10%	21.50%
	Debt securities	46.90%	45.80%
	Properties	10.40%	9.50%
	Other	22.60%	23.20%
	<b>Total</b>	<b>100%</b>	<b>100%</b>
	<b>Recognised in the income statement as staff costs</b>		
	Current service costs	3,554	3,094
	Interest on obligations	948	964
	Expected return on plan assets	(1,301)	(1,043)
	<b>Total recognised in the income statement as Staff costs</b>	<b>3,200</b>	<b>3,015</b>
	<b>Recognised in other comprehensive income</b>		
	Cumulative actuarial gain and losses recognised at 1 January	-	-
	Actuarial gains/losses during the year	2,133	-
	<b>Cumulative gains/losses recognised in other comprehensive income at 31 December</b>	<b>2,133</b>	<b>-</b>
	<b>Actuarial assumptions</b>		
	Discount rate	3.00%	2.75%
	Expected return on plan assets	3.75%	3.50%
	Future salary increases	2.00%	2.00%
	The discount rate is based on market yield and high-quality corporate bonds with maturity approximating the terms of the defined benefit obligations. Expected return on plan assets is based on the plan asset portfolio and general expectations to the economic development.		
	<b>Historical information</b>		
	Present value of defined benefit obligations	40,802	33,311
	Fair value of plan assets	(40,913)	(30,727)
	<b>Net obligations</b>	<b>(112)</b>	<b>2,584</b>
	Experience adjustments arising on defined benefit obligations	494	-
	Experience adjustments arising on plan assets	(2,682)	(2,436)

The Group expects to pay DKK 3.8 million in contribution to defined benefit plans during 2012.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

29	Provisions	2011			Total
		Restructuring etc.	The Danish Private Contingency Association	Other	
	Provisions at 1 January	101,816	39,905	66,151	207,872
	Additional provisions recognised	10,233	-	8,583	18,816
	Used during the year	(16,807)	(39,905)	(15,021)	(71,733)
	Reversal of unused provisions	(46,338)	-	(2,300)	(48,638)
	Exchange rate adjustments	263	-	63	326
	<b>Provisions at 31 December</b>	<b>49,167</b>	<b>-</b>	<b>57,476</b>	<b>106,643</b>

**Restructuring etc.**

The provision comprises legal cases and restructuring costs including costs to reorganisation of the Group's operations.

**The Danish Private Contingency Association**

The provision related to the Group's contributions to the Danish Private Contingency Association which ended 30 September 2011.

**Other**

The provision comprises various other obligations incurred in the course of business e.g. obligations towards the Danish Guarantee Fund for Depositors and Investors and other operational issues.







## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 31 Share capital

Numbers of shares outstanding	Ordinary shares	Preference shares	Total
Shares issued at 1 January 2010	63,584,602	2,928,012	66,512,614
Shares issued during the year	34,584	-	34,584
<b>Total shares issued at 31 December 2010</b>	<b>63,619,186</b>	<b>2,928,012</b>	<b>66,547,198</b>
Shares issued during the year	51,015	-	51,015
Preference shares converted to ordinary shares	2,928,012	(2,928,012)	-
<b>Total shares issued at 31 December 2011</b>	<b>66,598,213</b>	<b>-</b>	<b>66,598,213</b>

At 31 December 2011 a total of 66,598,213 shares with a nominal value of DKK 1 per share are fully paid (2010: 66,547,198 shares).

In May 2011 Saxo Bank A/S issued 51,015 shares at an average price of DKK 122 per share to the holders of warrants who exercised outstanding warrants, Share-based payments note 10.

Preference shares were converted to ordinary shares in 2011. The preferential right related to dividend in case of bankruptcy. At 31 December 2011 all shares carry the same rights.

#### Holding of treasury shares

In August 2011 56,296 Saxo Bank A/S shares were returned in a business combination. 29,106 number of shares were sold during 2011. Treasury shares held at 31 December 2011 are 27,190 shares (2010: 0 shares).

	2011	2010
<b>Dividends declared and paid to the shareholders of Saxo Bank A/S</b>		
Interim dividend declared in May, DKK 0.9047 per share	60,205	-
Interim dividend declared in August, DKK 1.1697 per share	77,900	-
Interim dividend declared in October, DKK 1.62144 per share (2010: DKK 3.8565 per share)	107,985	256,639
<b>Total dividend declared</b>	<b>246,090</b>	<b>256,639</b>



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 32 Expected due dates

	2011		2010	
	< 1 year	> 1 year	< 1 year	> 1 year
<b>Assets</b>				
Cash in hand and demand deposits with central banks	1,364,841	-	557,724	-
Receivables from credit institutions and central banks	6,877,240	69,399	2,717,007	42,944
Trading assets	12,520,105	412,629	13,418,573	338,728
Loans and advances at amortised cost	719,061	971,338	1,050,202	939,696
Investment securities	-	59,800	-	45,857
Current tax assets	66,623	-	42,283	-
Assets held for sale	7,851	-	4,855	-
Investment in associates	-	287,949	-	258,735
Intangible assets	140,152	1,946,861	102,415	1,423,160
Investment properties	-	19,407	7,407	20,601
Tangible assets	78,594	979,052	69,705	824,449
Deferred tax assets	1,535	138,360	1,351	134,150
Other assets	357,415	-	437,852	-
<b>Total assets</b>	<b>22,133,417</b>	<b>4,884,795</b>	<b>18,409,374</b>	<b>4,028,320</b>
<b>Liabilities</b>				
Debt to credit institutions and central banks	72,290	413,948	149,269	428,543
Trading liabilities	2,689,423	76,027	2,282,512	32,726
Deposits	16,739,344	780,097	14,204,214	301,866
Issued bonds at amortised cost	-	849,618	-	-
Current tax liabilities	21,695	-	41,033	-
Pension and similar obligations	-	-	-	2,584
Deferred tax liabilities	128,661	194,955	27,427	141,591
Provisions	75,137	31,506	101,229	106,643
Other liabilities	802,968	-	796,040	-
Subordinated debt	39,489	863,023	39,466	902,511
<b>Total liabilities</b>	<b>20,569,007</b>	<b>3,209,174</b>	<b>17,641,190</b>	<b>1,916,464</b>



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 33 Contractual due dates

The following table analyses the contractual cash flows payable for the Group's financial liabilities including issued guarantees and other unutilised commitments by remaining, earliest possible contractual maturities on an undiscounted basis. Interest payments are based on market conditions at 31 December. Cash flows are expected to vary significantly from this analysis e.g. deposits as clients are required to maintain certain levels of deposits with the Group. Cash flows from issued bonds at amortised cost and subordinated debt are based on interest rates currently valid from 31 December 2011.

The financial liabilities balances in the table do not agree to the balances reported in the consolidated statement of financial position as they incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

2011	On demand	Within 3 months	From 3-12 months	From 1-5 years	More than 5 years	Total
Debt to credit institutions and central banks	57,980	2,546	17,229	71,652	381,878	531,285
Deposits	16,303,333	86,211	371,485	173,598	693,195	17,627,822
Issued bonds at amortised cost	-	3,414	11,952	855,334	-	870,700
Subordinated debt	-	6,581	32,390	558,151	571,581	1,168,703
Other financial liabilities	9,991	27,199	-	-	-	37,190
<b>Total financial liabilities</b>	<b>16,371,304</b>	<b>125,951</b>	<b>433,056</b>	<b>1,658,735</b>	<b>1,646,654</b>	<b>20,235,700</b>
Guarantees	48,094	41,491	44,964	29,062	147,934	311,545
Other unutilised credit facilities	2,539	68,942	124,463	223,265	123,969	543,178
<b>Total</b>	<b>16,421,937</b>	<b>236,384</b>	<b>602,483</b>	<b>1,911,062</b>	<b>1,918,557</b>	<b>21,090,423</b>
<b>2010</b>						
Debt to credit institutions and central banks	134,624	2,033	16,062	70,279	381,023	604,021
Deposits	13,983,037	131,293	101,631	125,290	589,176	14,930,427
Subordinated debt	-	5,907	34,236	612,284	541,898	1,194,325
<b>Total financial liabilities</b>	<b>14,117,661</b>	<b>139,233</b>	<b>151,929</b>	<b>807,853</b>	<b>1,512,097</b>	<b>16,728,773</b>
Guarantees	48,013	48,888	111,401	46,923	198,279	453,504
Other unutilised credit facilities	69,776	37,529	68,949	171,396	152,391	500,041
<b>Total</b>	<b>14,235,450</b>	<b>225,650</b>	<b>332,279</b>	<b>1,026,172</b>	<b>1,862,767</b>	<b>17,682,318</b>

Derivative financial instruments notional and net fair value is specified by maturity in the Risk Management section on page 117 and 118. Most of the derivative financial instruments are short term and management believes that the net fair value best represents the cash flow that would have to be paid if positions had to be closed out.



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

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### 34 Acquisition of businesses

#### Acquisitions in 2011

##### Euroinvestor.com A/S

On 4 April 2011 the Group acquired a further 28% stake in Euroinvestor.com A/S and thereby obtained control of Euroinvestor.com A/S. After the acquisition the Group owned 69% of the share capital (a step acquisition). Following the acquisition the Group has acquired further 3% of the share capital from non-controlling interests. Previously the investment in Euroinvestor.com A/S was accounted for as an investment in associates and recognised using the equity method.

The website Euroinvestor.com is an investor community with real time information about shares, currencies, bonds, mutual funds etc. The Group views the investment in Euroinvestor.com A/S as an important foundation for its focus on investor communities and intends to expand Euroinvestor.com A/S' activities.

##### Revaluation gain on previously held ownership interest in Euroinvestor.com A/S acquired in a step acquisition:

Fair value of previously held ownership interest	83,639
Carrying amount of previously held ownership interest	54,114
<b>Revaluation gain</b>	<b>29,525</b>

The revaluation gain of DKK 29.5 million is recognised in Other income.

In the period from the acquisition date to 31 December 2011, Euroinvestor.com A/S contributed with operating income of 17.3 DKK million and negative net profit of DKK 1.8 million.

##### Acquisition of New Street Brokers (Pty) Ltd. and Logos Commodities Pty.

On 13 September 2011 the Group acquired 100% of the share capital in New Street Brokers (Pty) Ltd. (renamed Saxo Capital Markets (South Africa) Pty Ltd.) a broker in South Africa. The acquisition is a strategic step as it provided instant access to the markets in South Africa.

On 15 December 2011 the Group acquired 100% of the share capital in Logos Commodities Pty. Ltd. that holds 100% of the share capital in Commodity Broking Services Pty. Ltd. (renamed Saxo Capital Markets (Australia) Pty Ltd.) a white label client in Australia. The acquisition is a strategic step as it provided further direct access to the markets in Australia.

Due to the size of the acquired companies the acquisitions are shown in aggregate.

In the period from the acquisition date to 31 December 2011, the companies contributed with operating income of 0.3 DKK million and negative net profit of DKK 1.2 million.



## NOTES – SAXO BANK GROUP

**Note** (DKK 1,000)

### 34 Acquisition of businesses - continued

Acquisitions made in 2011 had the following effect on the Group's assets and liabilities at the acquisition date:

2011	Euro- investor.com A/S	Other <sup>1)</sup>	Total acquisitions
Cash	76,931	15,825	92,756
Contingent consideration	-	23,871	23,871
Fair value of previously held ownership interest	83,639	-	83,639
<b>Total consideration</b>	<b>160,570</b>	<b>39,696</b>	<b>200,266</b>
<b>Recognised amount of identifiable assets and liabilities</b>			
Cash in hand and demand deposits with central banks	3,343	54	3,397
Receivables from credit institutions and central banks	-	10,896	10,896
Trading assets	23,116	-	23,116
Intangible assets	32,778	1,013	33,791
Trade receivables	6,039	882	6,921
Other assets	2,209	1,860	4,069
Deferred tax liabilities	(7,318)	-	(7,318)
Other liabilities	(4,801)	(13,045)	(17,846)
<b>Total identifiable net assets</b>	<b>55,366</b>	<b>1,660</b>	<b>57,026</b>
Goodwill	123,501	38,036	161,537
Non-controlling interests	(18,297)	-	(18,297)

<sup>1)</sup> New Street Brokers (Pty) Ltd., Logos Commodities Pty. Ltd. and Commodity Broking Services Pty. Ltd.



## NOTES – SAXO BANK GROUP

### Note

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#### 34 Acquisition of businesses - continued

The goodwill of DKK 161.5 million arising from the acquisitions represents the value of the expected future profits profitability in the acquired businesses which cannot be attributed to individually identifiable assets, including workforce and know-how.

Part of the consideration in regards to other acquisitions is contingent and is to be paid based on the result in the acquired companies for the years 2011, 2012 and 2013. Based on the expected future performance DKK 23.9 million is expected to be paid.

In the identifiable net assets from acquired entities are trade receivables included with a fair value of DKK 6.9 million which equals the gross contractual amount for receivables.

Non-controlling interests in Euroinvestor.com A/S are measured at the proportionate interest in the recognised amount of the identifiable net assets of the acquiree, which means that goodwill recognised only relates to the controlling interest acquired.

The Group incurred acquisition costs of DKK 8.7 million related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in Staff costs and administrative expenses.

#### Adjustments to previous years' acquisitions

In 2011 a final settlement was made in regards to an earn-out for the acquisition of Initto A/S completed in 2010. A gain of DKK 5.0 million is recognised in Other income.

Contingent considerations decreased by DKK 17.4 million due to revised estimates of earn-outs. The change in estimates of contingent considerations is recognised as an adjustment to goodwill.

A number of minor adjustments related to various acquisitions are recognised as an adjustment to goodwill.

#### Pro forma operating income and net profit 2011

Assuming all acquisitions in the year were included as per 1 January 2011 the Group's Operating income is estimated to DKK 3,540 million and net profit to DKK 619 million.

#### Acquisitions in 2010

##### E\*trade A/S

On 12 April 2010 the Group acquired 100% of the share capital in E\*Trade A/S, an Banking and Online Investment business. The acquisition was a strategic step as it provided instant access to 50,000 clients with client collateral deposits of more than DKK 9 billion in Denmark, Norway, Sweden, Finland and the Baltic countries.

In the period from the acquisition date to 31 December 2010, E\*trade A/S contributed with operating income of DKK 46.0 million and negative net profit of DKK 41.4 million.

##### Initto A/S

On 12 August 2010 the Group acquired a further 60% of the share capital in Initto A/S, an IT-sourcing company. After the acquisition the Group owns 100% of the share capital (a step acquisition). Previously the investment in Initto A/S was accounted for as an investment in associates and recognised using the equity method. The aim of the acquisition was to strengthen the IT-development capabilities of the Group and to create a basis for further offshore activities.

The shareholding held immediately before obtaining control of Initto A/S has been recognised at fair value DKK 10.5 million with no revaluation gain or loss recognised.

In the period from the acquisition date to 31 December 2010, Initto A/S contributed with revenue of DKK 22.8 million and negative net profit of DKK 5.0 million.

##### Brørup Sparekasse A/S

On 29 October 2010 the Group acquired 98.6% of the share capital in Brørup Sparekasse A/S a Danish based retail bank. The acquisition is a strategic step to enable the Group to tap into the Danish retail-private banking segment with a full banking offering covering traditional bank accounts, debit/credit cards, mortgage credit, pension products and bank advisory services.

In the period from the acquisition date to 31 December 2010, Brørup Sparekasse A/S contributed with operating income of DKK 15.5 million and negative net profit of DKK 2.7 million.



## NOTES – SAXO BANK GROUP

**Note** (DKK 1,000)

### 34 Acquisition of businesses · continued

Acquisitions made in 2010 had the following effect on the Groups assets and liabilities at the acquisition date:

2010	E*trade A/S	Brørup Sparekasse A/S	Initto A/S	Total acquisitions
Cash	108,154	209,000	-	317,154
Contingent consideration	-	-	30,000	30,000
Fair value of previously held ownership interest	-	-	10,547	10,547
<b>Total consideration</b>	<b>108,154</b>	<b>209,000</b>	<b>40,547</b>	<b>357,701</b>
<b>Recognised amount of identifiable assets and liabilities</b>				
Cash in hand and demand deposits with central banks	351,496	125,956	10,222	487,674
Receivables from credit institutions and central banks	890,553	149,808	(399)	1,039,962
Trading assets	-	354,625	-	354,625
Loans and advances at amortised cost	433,067	1,406,147	-	1,839,214
Investment securities	2,264	84,631	-	86,895
Intangible assets	14,254	20,399	-	34,653
Investment properties	-	28,008	-	28,008
Tangible assets	-	49,496	2,663	52,159
Deferred tax assets	10,647	121,538	-	132,185
Other assets	59,108	25,767	29,966	114,841
Debt to credit institutions and central banks	-	(202,370)	(130)	(202,500)
Deposits	(1,523,542)	(1,499,207)	(228)	(3,022,977)
Provisions	(16,224)	(22,254)	(2,002)	(40,480)
Other liabilities	(116,680)	(54,941)	(40,137)	(211,758)
Subordinated debt	-	(534,843)	-	(534,843)
<b>Total identifiable net assets</b>	<b>104,943</b>	<b>52,760</b>	<b>(45)</b>	<b>157,658</b>
Goodwill	3,211	156,809	40,592	200,612
Non-controlling interests	-	(569)	-	(569)



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 34 Acquisition of businesses - continued

The goodwill of DKK 200.6 million arising from the acquisitions represents the value of the expected future profits in the acquired businesses which cannot be attributed to individually identifiable assets, including workforce and know-how.

Prior to 2010 Saxo Bank owned 40% of Initto A/S. The consideration in regards to the acquisition of further 60% of the share capital in Initto A/S was all contingent and was to be paid based on the profit in the acquired company for the years 2011, 2012 and 2013. The expected payment was DKK 30 million, equal to the maximum consideration to be paid. A final settlement of DKK 25 million was paid in 2011.

Fair value of loans and advances in acquired entities amounted to DKK 1.84 billion. The gross contractual amount for the loans and advances was DKK 2.39 billion of which DKK 71.1 million is expected to be uncollectable.

Non-controlling interests in Brørup Sparekasse A/S is measured at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree, which means that goodwill recognised only relates to the controlling interest acquired.

The Group incurred acquisition costs of DKK 22.9 million related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in Staff costs and administrative expenses.

#### Adjustments to previous years' acquisitions

A number of minor adjustments related to various acquisitions are recognised as an adjustment to goodwill.

#### Pro forma operating income and net profit 2010

Assuming all acquisitions in the year were included as per 1 January 2010 the Group's operating income is estimated to DKK 3,459 million and net profit to DKK 524 million.

### 35 Transactions with non-controlling interests

Transactions with non-controlling interests relate to the non-controlling interests in Saxo Privatbank A/S and in Euroinvestor.com A/S after Saxo Bank A/S obtained control in April 2011.

	2011	2010
Paid/received	(12,081)	676
Proportionate share of equity acquired/disposed	2,391	(676)
Other changes in proportionate share of equity due to other capital movements	(405)	-
<b>Difference recognised directly in equity</b>	<b>(10,095)</b>	<b>-</b>





## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 36 Accounting classifications and fair values (financial assets and liabilities)

The accounting classifications and fair values can be specified as follows:

2011	Fair value through profit and loss			Total carrying amount	Fair value
	Held for trading	Designated	Amortised cost		
<b>Financial assets</b>					
Cash in hand and demand deposits with central banks	-	-	1,364,841	1,364,841	1,364,841
Receivables from credit institutions and central banks	-	-	6,946,639	6,946,639	6,946,639
Trading assets	12,932,734	-	-	12,932,734	12,932,734
Loans and advances at amortised cost	-	-	1,690,399	1,690,399	1,646,448
Investment securities	-	59,800	-	59,800	59,800
<b>Total</b>	<b>12,932,734</b>	<b>59,800</b>	<b>10,001,879</b>	<b>22,994,413</b>	<b>22,950,462</b>
<b>Financial liabilities</b>					
Debt to credit institutions and central banks	-	-	468,238	468,238	468,238
Trading liabilities	2,765,450	-	-	2,765,450	2,765,450
Deposits	-	-	17,519,441	17,519,441	17,521,996
Issued bonds at amortised cost	-	-	849,618	849,618	850,187
Subordinated debt	-	-	902,512	902,512	667,388
<b>Total</b>	<b>2,765,450</b>	<b>-</b>	<b>19,739,809</b>	<b>22,505,259</b>	<b>22,273,259</b>
<b>2010</b>					
<b>Financial assets</b>					
Cash in hand and demand deposits with central banks	-	-	557,724	557,724	557,724
Receivables from credit institutions and central banks	-	-	2,759,951	2,759,951	2,759,951
Trading assets	13,757,301	-	-	13,757,301	13,757,301
Loans and advances at amortised cost	-	-	1,989,898	1,989,898	1,938,809
Investment securities	-	45,857	-	45,857	45,857
<b>Total</b>	<b>13,757,301</b>	<b>45,857</b>	<b>5,307,573</b>	<b>19,110,731</b>	<b>19,059,642</b>
<b>Financial liabilities</b>					
Debt to credit institutions and central banks	-	-	577,812	577,812	577,812
Trading liabilities	2,315,238	-	-	2,315,238	2,315,238
Deposits	-	-	14,506,080	14,506,080	14,508,635
Subordinated debt	-	-	941,977	941,977	754,713
<b>Total</b>	<b>2,315,238</b>	<b>-</b>	<b>16,025,869</b>	<b>18,341,107</b>	<b>18,156,398</b>



## NOTES – SAXO BANK GROUP

Note (DKK 1,000)

### 36 Accounting classifications and fair values (financial assets and liabilities) - continued

The Group measures fair values using the following fair value hierarchy, that reflects the significance of the inputs used in making the measurements.

#### Level 1 – Quoted market price

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

#### Level 2 – Observable input

Valuation techniques based on inputs, other than quoted prices included within level 1, that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level covers derivatives valued on the basis of observable yield curves or spot rates.

#### Level 3 – Non-observable input

Valuation techniques based on inputs for the assets or liabilities that are not based on observable market data. This level covers unlisted equities and bonds, and valuation is primarily based on generally accepted valuation techniques.

Fair values of financial assets and liabilities that are traded in active markets between knowledgeable, willing parties are based on quoted market prices. These financial assets and liabilities are recognised in level 1. If quoted prices for financial instruments fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established using valuation techniques.

Valuation techniques range from discounted cash flow analysis to complex option pricing models. The models are based on observable prices to the widest extent possible, but can also apply unobservable model parameters.

The Group applies valuation techniques for certain CFD derivatives, FX forwards, OTC options, unlisted trading portfolio of assets and liabilities and unlisted investment securities. In most cases the valuation is substantially based on observable input, such as interbank quoted prices and implied volatility. The most frequently used valuation and estimation techniques include the pricing of transactions with future settlement, swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes.

The valuation of unlisted equities and bonds is based substantially on non-observable input using discounted cash flows, discounted dividend models or other generally accepted estimation and valuation techniques.

2011	Level 1	Level 2	Level 3	Total
Trading assets	8,993,028	3,926,021	13,685	12,932,734
Investment securities	-	-	59,800	59,800
<b>Total financial assets</b>	<b>8,993,028</b>	<b>3,926,021</b>	<b>73,485</b>	<b>12,992,534</b>
Trading liabilities	(382,967)	(2,382,483)	-	(2,765,450)
<b>Total financial liabilities</b>	<b>(382,967)</b>	<b>(2,382,483)</b>	<b>-</b>	<b>(2,765,450)</b>
<b>2010</b>				
Trading assets	11,116,089	2,609,732	31,480	13,757,301
Investment securities	-	-	45,857	45,857
<b>Total financial assets</b>	<b>11,116,089</b>	<b>2,609,732</b>	<b>77,337</b>	<b>13,803,158</b>
Trading liabilities	(431,462)	(1,883,776)	-	(2,315,238)
<b>Total financial liabilities</b>	<b>(431,462)</b>	<b>(1,883,776)</b>	<b>-</b>	<b>(2,315,238)</b>



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>36</b>	<b>Accounting classifications and fair values (financial assets and liabilities) · continued</b>		
	<b>Financial assets and liabilities valued on the basis of non-observable input</b>		
	Fair value at 1 January	77,337	3,571
	Fair value adjustments recognised in the income statement <sup>1)</sup>	(13,834)	(2,667)
	Additions	9,982	-
	Additions from acquisitions	-	86,895
	Disposals	-	(10,462)
	<b>Fair value at 31 December</b>	<b>73,485</b>	<b>77,337</b>

<sup>1)</sup> Hereof DKK 13.8 million related to financial assets and liabilities held at 31 December 2011.

### 37 Hedge accounting

#### Hedge of net investments

The Group hedges the exchange rate risk of net investments in certain foreign entities by establishing hedge relationships between its net investment in foreign entities and currency derivatives or a non-derivative currency financial liability designated as the hedging instruments. The Group does not hedge the entities' expected income or other future transactions. At 31 December 2011, the carrying amount of net investment in entities hedged amounted to DKK 1,004 million (2010: DKK 1,133 million) and the corresponding fair value of the hedging instrument amounted to DKK 1,004 million (2010: DKK 1,133 million).

#### Cash flow hedge

The Group hedges its exposure to variability in future cash flows due to changes in interest rates on the Group's mortgage debt with a variable interest rate by establishing a hedge relationship between the debt and interest swaps designated as the hedging instruments. At 31 December 2011, the carrying amount of mortgage hedged amounted to DKK 428 million (2010: DKK 443 million) and the fair value of the hedging instrument amounted to DKK 76 million and nominal value DKK 434 million (2010: DKK 27 million and nominal value DKK 434 million).

The time periods in which the hedged cash flows are expected to occur and affect the consolidated statement of comprehensive income are as follows:

	2011	2010
<b>Cash inflows</b>		
Within 1 year	4,008	5,464
1-5 years	17,635	18,480
Over 5 years	17,938	21,102
<b>Cash outflows</b>		
Within 1 year	(18,694)	(19,363)
1-5 years	(82,891)	(86,696)
Over 5 years	(85,425)	(100,316)

During 2011 losses of DKK 11.8 million (2010: DKK 12.5 million) relating to cash flow hedge were transferred from equity to profit or loss and are reflected in Interest expense. At 31 December 2011 net losses of DKK 49.0 million (2010: DKK 13.5 million) relating to the cash flow hedges were recognised in other comprehensive income.



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>38</b>	<b>Operational leasing</b>		
	<b>Future operating lease payments</b>		
	Within 1 year	54,905	52,343
	From 1 - 5 years	93,275	100,436
	More than 5 years	21,225	31,837
	<b>Total</b>	<b>169,405</b>	<b>184,616</b>

The Group is the lessee in a number of operating leases, involving mainly leasing of office premises, car leasing and other.

Operating lease recognised in the income statement in 2011 amounts to DKK 63.9 million (2010: DKK 43.2 million).

### 39 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2011, the following shareholders are registered directly or indirectly as holders of more than 5% of the share capital of Saxo Bank A/S:

Fournais Holding A/S, DK-2850 Nærum, Denmark.  
Lars Seier Christensen Holding A/S, DK-1264 Copenhagen, Denmark.  
TPG Capital, TX-76102 Fort Worth, United States.

(DKK million)	Parties with significant influence		Associates		Board of Directors	
	2011	2010	2011	2010	2011	2010
Deposits (liabilities)	8	2	-	-	2	-
Software development	-	-	3	19	-	-
Subscription of shares in Saxo Bank A/S:						
Exercise of warrants	-	-	-	-	-	-
Dividend from Saxo Bank A/S <sup>1)</sup>	226	236	-	-	-	-

<sup>1)</sup> Dividend to parties with significant influence includes payments to significant shareholders at time of declaration.

Parties with significant influence include shareholders with holdings exceeding 20% of Saxo Bank A/S.

Board of Management is due to their significant ownership in Saxo Bank A/S through their holding companies included in Parties with significant influence.

Remuneration to Board of Directors and Board of Management is disclosed in note 9 Staff costs and administrative expenses.

Saxo Bank A/S nor any Group companies have provided any loans, pledges or guarantees to any member of Saxo Bank A/S' Board of Directors or Board of Management or to persons related to these. Nor have any deposits been placed.

All transactions and agreements with related parties are settled on an arms-length basis.



## NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2011	2010
<b>40</b>	<b>Contingent and contractual liabilities</b>		
	<b>Guarantees</b>		
	Financial guarantees	104,916	116,617
	Mortgage finance guarantees	91,744	86,607
	Registration and remortgaging guarantees	44,279	171,162
	Other guarantees	70,606	79,118
	<b>Total guarantees</b>	<b>311,545</b>	<b>453,504</b>
	<b>Contingent liabilities</b>		
	Other unutilised credit facilities	543,178	500,041
	<b>Total contingent liabilities</b>	<b>543,178</b>	<b>500,041</b>
	<b>Contractual liabilities</b>		
	Other contractual commitments	191,990	267,814
	<b>Total contractual liabilities</b>	<b>191,990</b>	<b>267,814</b>

Of the Group's bond holdings nominal EUR 433 million (2010: EUR 465 million), with a fair value of DKK 3.2 billion (2010: DKK 3.6 billion), are held in custody with institutions with full right of disposal for the Group. The bonds serve as security for the Group's ongoing financial business with the individual institution.

The actual demand for collateral varies from day to day following the development in the open positions and were in total 69% (2010: 53%) of the fair value of the bond holdings provided as security at 31 December 2011.

Of the Group's deposits with investment brokers, banks and other credit institutions, DKK 265 million (2010: DKK 520 million) have likewise been provided as security for the Group's ongoing financial business.

Debt to credit institutions is secured by a mortgage deed of DKK 477 million of the Group's domicile property (2010: DKK 477 million).

Related to acquisitions Saxo Bank A/S has issued claims warrants with a strike price of DKK 1 to cover potential claims from the sellers of the acquired companies. The maximum number of shares is 486,601. As of 31 December 2011 there has been no actual claim.

Saxo Bank A/S has issued a letter of undertaking to the Monetary Authorities in Singapore concerning Saxo Capital Markets Pte. Ltd.

Due to the business volume of the Group, disputes with clients etc. occur from time to time. The Group does not consider the outcome of the cases pending to have any material effect on the Group's financial position.

The Group has guaranteed to participate in fund products offered by Saxo Invest, a Luxembourg based SICAV fund up to a maximum of DKK 60 million (2010: DKK 50 million).

The Group has guaranteed to participate in certain projects offered by Saxo Properties A/S up to a maximum of DKK 27 million (2010: DKK 0 million).

The Group is the lessee in a number of operating leases, involving mainly leasing of office premises, car leasing and other. Note 38 provides more information about the future operating lease payments.



## NOTES – SAXO BANK GROUP

Note (1,000)

### 41 Group companies

Subsidiaries	Currency	Result	Equity	Ownership
<b>Financial institutions</b>				
Capital Four Management Fondsmæglerselskab A/S, Denmark	DKK	384	6,450	100%
Fondsmæglerselskabet Sirius Kapitalforvaltning A/S, Denmark	DKK	4,045	11,982	100%
FT World Ltd., Cyprus (established 1 August 2011)	EUR	-	-	100%
Global Evolution Fondsmæglerselskab A/S, Denmark	DKK	(677)	18,850	51%
Saxo Bank Dubai Ltd., Dubai	USD	462	8,227	100%
Saxo Banque France SAS, France	EUR	1,256	8,009	100%
Saxo Bank FX Securities K.K., Japan	JPY	332,012	847,766	100%
Saxo Bank (Switzerland) AG, Switzerland	CHF	30,202	66,898	100%
Saxo Capital Markets BV, Netherland	EUR	(3)	32	100%
Saxo Capital Markets HK, Hong Kong	HKD	(11,503)	18,497	100%
Saxo Capital Markets Pty Ltd., Australia (established 1 March 2011)	AUD	-	-	100%
Saxo Capital Markets Pte. Ltd., Singapore	SGD	27,063	136,987	100%
Saxo Capital Markets S.A., Panama (established 1 February 2011)	USD	-	-	100%
Saxo Capital Markets SA Ltd., South Africa (consolidated from 13 September 2011)	ZAR	(614)	(614)	100%
Saxo Capital Markets UK Ltd., UK (fully licensed subsidiary from November 2011)	GBP	-	-	100%
Saxo Invest Capital Four Cross Over Credit, Luxembourg (established 17 June 2011)	EUR	-	-	100%
Saxo Invest Global Evolution Emerging Markets FX, Luxembourg (established 31 January 2011)	EUR	-	-	100%
Saxo Privatbank A/S, Denmark (former Brørup Sparekasse A/S)	DKK	(73,646)	97,606	99%
SBSF Ltd., UK	GBP	27	106	100%
<b>Other</b>				
Ejendomsselskabet Bygning 119 A/S, Denmark	DKK	705	41,081	100%
Euroinvestor.com A/S, Denmark (associate in 2010, consolidated from 1 April 2011)	DKK	3,346	49,159	72%
I.I.Real Estate A/S, Denmark	DKK	(1,552)	(990)	100%
Initto A/S, Denmark	DKK	(10,085)	28,282	100%
Saxo Jet A/S, Denmark	DKK	9	(10,009)	100%
Saxo Properties A/S, Denmark	DKK	(6,150)	(5,650)	100%
Saxo Soft A/S, Denmark	DKK	(1,932)	(2,395)	100%
Saxo Treasury A/S, Denmark (former Saxo-Etrade Bank A/S)	DKK	(66,355)	163,567	100%

The information disclosed is extracted from the companies' most recent annual reports.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

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The Group's overall risk framework is established by the Board of Directors through instructions and policies that set the scope for the Group's risk taking activities. The Board instructions determine risk limits for credit, market, liquidity and operational risks. In addition, the Board of Directors has issued a credit policy setting specific guidelines for managing counterparties.

The Board of Management applies the instructions and policies through an implemented risk management framework. The on-going monitoring and control of the risks is delegated to the Group's Risk Director and carried out in the risk management department.

The Group carries out the following main activities:

- Online trading and investment and other investment services within capital markets to retail clients, corporations, financial institutions and white label clients
- Portfolio, fund and asset management to retail and professional clients
- Classic bank services in Denmark, primarily to retail clients, hereunder bank accounts and debit/credit cards, mortgage credit, bank advice services and pension products

During the year, the Board of Directors monitors and adjusts the Group's overall risk parameters for market risks such as foreign exchange, CFDs and related products as well as credit risks such as margin levels and counterpart exposure limits, in response to changes in market conditions and trading volumes. The Board of Directors approves specified thresholds for each type of risk.

### **Risk exposure**

The Group is exposed to a number of risks which can be categorised as follows:

- Credit risk: The risk of loss due to counterparties of the Group failing to fulfil their agreed obligations
- Market risk: The risk of loss due to movements in market risk factors
- Liquidity risk: The risk of being unable to meet obligations as they fall due
- Operational risk: The risk of loss resulting from inadequate or failed processes, people or systems

Management's Report and the Risk Report 2011 provide additional information about the Group's risk management approach. Risk Report 2011 is available for download from the Group's website at <http://www.saxoworld.com/investorrelations/icaap-and-risk-reports>. The Risk Report is not covered by the statutory audit.

### **CREDIT RISK**

Credit risk is defined as the risk of counterparties of the Group failing to fulfil their agreed obligations.

The Group operates in accordance with the Board instructions and the credit policy approved by the Board of Directors. The Board instructions set rules on accepted counterparties and thereby diversification of the Group's engagements. The instructions also set limits on counterparty credit exposure, considering creditworthiness, geography and other measures aiming at minimising the credit risk undertaken. Furthermore, the credit policy addresses accepted forms of collateral as well as leverage factors on individual instrument classes for margin trading. The policy is revised as needed and at least once a year.

The Group has segregated duties in order to maintain impartiality during limit setting, the approval process and the following control hereof. Limit setting is done based on client classification. An internal credit evaluation is performed and daily monitoring is performed on issued lines. A periodic line utilisation review is performed to monitor and follow up on issued lines. All lines are re-evaluated at least once a year.

The corporate loan portfolio is diversified based on geography and industry sectors.

Credit risk due to counterpart's loss on margin trading risk is monitored on a real-time basis, automatically and manually, with the execution of risk mitigative intervention in due time to avoid any credit loss situation occurring.

The Group is exposed to five main sources of credit and counterparty risk as described below.

#### **Margin sufficiency**

Credit risk arises as a result of losses sustained by the counterparty on margin trading. This risk is monitored on a real-time basis, both automatically and manually, with the execution of stop-outs in due time to avoid credit loss situations.

#### **Credit lines**

Credit risk arises as a result of credit lines offered to certain counterparties subject to credit assessment. The credit assessment is carried out in the Group's credit risk management function.

#### **Retail bank activities**

Retail banking activities constitute traditional banking services such as loans, overdraft facilities, business credits, construction and housing credits, guarantees etc. The granting of a credit is based on the Bank's insight into the client's financial position. As part of this process, the Bank strives to ensure that each facility matches the credit quality and financial position of the client.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Settlement risk

Settlement risk is the risk that the Group delivers one leg of a transaction but the counterparty fails to meet its obligation. The Group has entered into settlement agreements to decrease settlement risk. This includes give-up agreements to the Group's prime brokers (PBs) and continuous linked settlements (CLS). Even so, the Group occasionally endures settlement risk when trades are not matched in CLS but have to be gross settled against a given counterparty.

### Interest bearing assets

Credit risk arises as a result of the Group's placements of funds with credit institutions or in bills and bonds.

The above mentioned credit related risks are managed on an ongoing basis by risk policies approved by the Board of Directors and systems and procedures approved by the Board of Management.

### Credit risk exposure

The Group's credit risk exposure consists of financial position items and off-balance items that involve credit risk. Exposure risk derives from lending activities, derivative financial instruments (counterparty risk) and exposure from investing activities.

### Breakdown of credit risk exposure without taking collateral into account

2011	Credit risk lending, activities	Counter-party risk, derivatives	Credit risk, investing activities	Total
<b>Statement of financial position item</b>				
Cash in hand and demand deposits with central banks	-	-	1,364,841	1,364,841
Receivables from credit institutions and central banks	-	-	6,973,469	6,973,469
Trading assets	-	4,982,196	7,950,538	12,932,734
Loans and advances at amortised cost before impairment	1,846,692	-	-	1,846,692
Investment securities	-	-	59,800	59,800
<b>Credit exposure before impairment</b>	<b>1,846,692</b>	<b>4,982,196</b>	<b>16,348,648</b>	<b>23,177,536</b>
Impairment loans and advances	(151,783)	-	-	(151,783)
Impairment receivables from credit institutions and central banks	-	-	(26,830)	(26,830)
<b>Credit exposure in statement of financial position</b>	<b>1,694,909</b>	<b>4,982,196</b>	<b>16,321,818</b>	<b>22,998,923</b>
<b>Off-balance items</b>				
Guarantees	311,545	-	-	311,545
Other unutilised credit facilities	543,178	-	-	543,178
Impairment for off-balance items	(4,510)	-	-	(4,510)
<b>Credit exposure off-balance items</b>	<b>850,213</b>	<b>-</b>	<b>-</b>	<b>850,213</b>
<b>Total credit exposure net of impairment</b>	<b>2,545,122</b>	<b>4,982,196</b>	<b>16,321,818</b>	<b>23,849,136</b>

The Group has in addition granted credit facilities in regards to stock loans and short selling. For stock loans the unutilised credit facilities amount to DKK 1.60 billion and short selling facilities DKK 1.06 billion as per 31 December 2011. The credit facilities can only be utilised, if required collateral is provided and can be terminated on demand.





## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Breakdown of credit risk exposure without taking collateral into account

2010	Credit risk, lending activities	Counter- party risk, derivatives	Credit risk, investing activities	Total
<b>Statement of financial position item</b>				
Cash in hand and demand deposits with central banks	-	-	557,724	557,724
Receivables from credit institutions and central banks	-	-	2,805,206	2,805,206
Trading assets	-	3,387,799	10,369,502	13,757,301
Loans and advances at amortised cost before impairment	2,085,367	-	-	2,085,367
Investment securities	-	-	45,857	45,857
<b>Credit exposure before impairment</b>	<b>2,085,367</b>	<b>3,387,799</b>	<b>13,778,289</b>	<b>19,251,455</b>
Impairment loans and advances	(94,215)	-	-	(94,215)
Impairment receivables from credit institutions and central banks	-	-	(45,255)	(45,255)
<b>Credit exposure in statement of financial position</b>	<b>1,991,152</b>	<b>3,387,799</b>	<b>13,733,034</b>	<b>19,111,985</b>
<b>Off-balance items</b>				
Guarantees	453,503	-	-	453,503
Other unutilised credit facilities	500,041	-	-	500,041
Impairment for off-balance items	(1,254)	-	-	(1,254)
<b>Credit exposure off-balance items</b>	<b>952,290</b>	<b>-</b>	<b>-</b>	<b>952,290</b>
<b>Total credit exposure net of impairment</b>	<b>2,943,442</b>	<b>3,387,799</b>	<b>13,733,034</b>	<b>20,064,275</b>

The Group has in addition granted credit facilities in regards to stock loans and short selling. For stock loans the unutilised credit facilities amount to DKK 1.99 billion and short selling facilities DKK 1.24 billion as per 31 December 2010. The credit facilities can only be utilised, if required collateral is provided and can be terminated on demand.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### CREDIT EXPOSURE RELATING TO LENDING ACTIVITIES

Lending activities comprise loan and advances at amortised cost and related off-balance items that involve credit risk. Loans and advances at amortised cost include receivables from investment brokers, trading clients and lending clients.

Credit exposure relating to lending activities is managed on an ongoing basis in accordance with the credit policy.

The Group's credit granting is based on insight into the client's financial position as well as continuous monitoring of the development in the client's financial situation in order to assess whether the conditions for the credit granting have changed.

The client's creditworthiness is classified into six different rating categories, where category 1-3 covers outstanding, good or standard clients, while category 4 covers clients that show some weakness. Category 5-6 covers weak clients that need increased attention. Category 6 includes clients with individually impaired loans and advances. Due to the borrower's significant financial difficulties where the loan is deemed uncollectable or the expected proceeds from collateral will not be sufficient to cover the credit exposure.

### Credit exposure broken down by rating category

Loans, advances, guarantees and off balance sheet commitments that involve credit risk are classified into the following six rating categories.

	Maximum credit exposure	Individual impairment	Exposure before collateral	Collateral held	Remaining exposure
<b>2011</b>					
1 Outstanding clients	440,186	-	440,186	369,096	71,090
2 Good clients	416,626	-	416,626	134,623	282,003
3 Standard clients	1,357,416	-	1,357,416	219,039	1,138,377
4 Clients that show some weakness	172,706	-	172,706	27,351	145,355
5 Weak clients that need increased attention	124,911	-	124,911	14,963	109,948
6 Clients with impairment	189,569	153,477	36,092	7,456	28,636
<b>Total before Group impairment</b>	<b>2,701,414</b>	<b>153,477</b>	<b>2,547,937</b>	<b>772,528</b>	<b>1,775,409</b>
Group impairment	-	2,816	(2,816)	-	(2,816)
<b>Total</b>	<b>2,701,414</b>	<b>156,293</b>	<b>2,545,121</b>	<b>772,528</b>	<b>1,772,593</b>

### 2010

1 Outstanding clients	601,956	-	601,956	533,432	68,524
2 Good clients	552,936	-	552,936	160,018	392,918
3 Standard clients	1,552,058	-	1,552,058	195,167	1,356,891
4 Clients that show some weakness	169,264	-	169,264	20,274	148,990
5 Weak clients that need increased attention	37,674	-	37,674	3,670	34,004
6 Clients with impairment	125,024	91,617	33,407	28,041	5,366
<b>Total before Group impairment</b>	<b>3,038,912</b>	<b>91,617</b>	<b>2,947,295</b>	<b>940,602</b>	<b>2,006,693</b>
Group impairment	-	3,853	(3,853)	-	(3,853)
<b>Total</b>	<b>3,038,912</b>	<b>95,470</b>	<b>2,943,442</b>	<b>940,602</b>	<b>2,002,840</b>



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)	2011	2010
<b>Credit exposure broken down by sector, industry and geography (%)</b>		
<b>Corporate sector</b>		
Agriculture, hunting, forestry and fisheries	4%	5%
Industry and extraction of raw materials	1%	1%
Buildings and construction	2%	2%
Trading	2%	2%
Transport, hotels and restaurants	1%	1%
Finance and insurance	1%	4%
Real estate	4%	2%
Other businesses	7%	7%
<b>Total corporate sector</b>	<b>22%</b>	<b>24%</b>
Private clients	78%	76%
<b>Total credit exposure loans, advances, guarantees, etc. net of impairment</b>	<b>100%</b>	<b>100%</b>
Hereof related to clients in foreign countries	7%	7%



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Collateral held against lending activities

An essential element of the Group's credit policy is to reduce risk in the loan portfolio by requiring collateral. The Group continuously assesses the value of the current market value of the collaterals. For the most common types of collateral the Group has its own valuation models that estimate the value. For collateral types where no valuation models exist, the valuation is done manually. The value of the collateral is assessed at the current estimated market value including a haircut. Haircut is an expression of cautious estimation of the cost that would occur at a forced sale. For property the haircut depends on property type, condition, location etc.

The main categories of collateral are shown in the table below. Clients' collateral is included up to the amount of debt it covers.

	Investment brokers and trading clients	Lending clients	Total
<b>2011</b>			
Credit exposure net of impairment	369,640	2,175,481	2,545,121
<b>Collateral</b>			
Cash	60,059	6,277	66,336
Exchange traded equities, bonds and mutual funds	305,748	112,663	418,411
Property	-	230,527	230,527
Other	-	57,254	57,254
<b>Total collateral</b>	<b>365,807</b>	<b>406,721</b>	<b>772,528</b>
<b>Total unsecured credit exposure lending activities</b>	<b>3,833</b>	<b>1,768,760</b>	<b>1,772,593</b>
<b>2010</b>			
Credit exposure net of impairment	537,917	2,405,525	2,943,442
<b>Collateral</b>			
Cash	69,455	14,116	83,571
Exchange traded equities, bonds and mutual funds	465,104	158,676	623,780
Property	-	184,681	184,681
Other	-	48,570	48,570
<b>Total collateral</b>	<b>534,559</b>	<b>406,043</b>	<b>940,602</b>
<b>Total unsecured credit exposure lending activities</b>	<b>3,358</b>	<b>1,999,482</b>	<b>2,002,840</b>



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)	2011	2010
<b>Impairment for loans, advances and guarantees</b>		
<b>Individual impairment for loans, advances and guarantees</b>		
Impairment at 1 January	91,616	11,788
Impairment during the year	95,276	73,579
Reversals of impairment from previous years	(29,689)	6,458
Other	(1,231)	(209)
Loss written off	(2,495)	-
<b>Individual impairment for loans, advances and guarantees at 31 December</b>	<b>153,477</b>	<b>91,616</b>
<b>Collective impairment loans, advances and guarantees</b>		
Impairment at 1 January	3,853	3,821
Impairment during the year	-	1,383
Reversals of impairment from previous years	(1,037)	(1,351)
<b>Collective impairment for loans, advances and guarantees at 31 December</b>	<b>2,816</b>	<b>3,853</b>



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Past due loans and advances but not impaired

2011	Investment brokers and trading clients	Lending clients	Total
From 1 day to 1 month	2,283	27,603	29,886
From 1 - 3 months	406	3,142	3,548
More than 3 months	50,466	5,111	55,577
<b>Total past due loans and advances but not impaired</b>	<b>53,155</b>	<b>35,856</b>	<b>89,011</b>

### 2010

From 1 day to 1 month	-	48,676	48,676
From 1 - 3 months	-	3,530	3,530
More than 3 months	26,679	1,264	27,943
<b>Total past due loans and advances but not impaired</b>	<b>26,679</b>	<b>53,470</b>	<b>80,149</b>

### Credit quality of loans and advances neither past due nor impaired

2011	Investment brokers and trading clients	Lending clients	Total
1 Outstanding clients	270,947	77,664	348,611
2 Good clients	-	190,152	190,152
3 Standard clients	-	804,463	804,463
4 Clients that show some weakness	-	143,394	143,394
5 Weak clients that need increased attention	-	93,439	93,439
<b>Total loans and advances neither past due nor impaired</b>	<b>270,947</b>	<b>1,309,112</b>	<b>1,580,059</b>

### 2010

1 Outstanding clients	395,615	104,398	500,013
2 Good clients	-	272,530	272,530
3 Standard clients	-	954,816	954,816
4 Clients that show some weakness	-	146,663	146,663
5 Weak clients that need increased attention	-	31,607	31,607
<b>Total loans and advances neither past due nor impaired</b>	<b>395,615</b>	<b>1,510,014</b>	<b>1,905,629</b>



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### CREDIT EXPOSURE RELATING TO COUNTERPARTY AND INVESTING ACTIVITIES

Credit exposure due to counterparty and investing activities comprises receivables from credit institutions and central banks, derivative financial instruments with positive fair value and bonds.

Counterparties consist of financial institutions such as banks, brokers, clearinghouses etc, which are part of the Group's daily financial trading or investment activities. The Group's credit granting is based on insight into the counterparty's financial position as well as continuous monitoring of the counterparties' financial state in order to assess whether the conditions for the credit granting have changed. The rating of counterparties is based on Standard & Poor's rating methodology or equivalent rating from other rating agencies.

### Receivables from credit institutions and central banks broken down by their long-term credit rating

2011	Credit institutions	Central banks	Total
AAA	873,979	5,327,018	6,200,997
AA+	21,188	-	21,188
AA	555,979	-	555,979
AA-	469,278	-	469,278
A+	208,925	-	208,925
A	399,761	-	399,761
A-	228,064	-	228,064
BBB	39,921	-	39,921
BBB-	96	-	96
Sub-investment grade or unrated	174,460	-	174,461
<b>Total</b>	<b>2,971,651</b>	<b>5,327,018</b>	<b>8,298,669</b>

2010	Credit institutions	Central banks	Total
AAA	181,130	652,739	833,869
AA+	425,640	-	425,640
AA	1,315,099	-	1,315,099
AA-	376,428	1,545	377,973
A+	203,606	-	203,606
A	42,236	-	42,236
A-	51,714	-	51,714
BBB+	68	-	68
Sub-investment grade or unrated	54,030	-	54,030
<b>Total</b>	<b>2,649,951</b>	<b>654,284</b>	<b>3,304,235</b>

Rating AAA includes the Group's receivable from Postfinance AG. Postfinance AG is a fully owned Swiss subsidiary of Swiss Post which again is fully owned by the Government of Switzerland. Postfinance AG is not rated by a public recognised rating bureau. The Group's internal rating of Postfinance AG is 1, equivalent to a S&P rating AAA.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Receivables from credit institutions and central banks broken down by geography

2011	Credit institutions	Central banks	Total
Denmark	599,663	4,539,450	5,139,113
Europe, excluding Denmark	1,243,230	787,568	2,030,798
USA	272,316	-	272,316
Australia	106,734	-	106,734
Asia	745,200	-	745,200
Other	4,508	-	4,508
<b>Total</b>	<b>2,971,651</b>	<b>5,327,018</b>	<b>8,298,669</b>

### 2010

Denmark	648,594	561,896	1,210,490
Europe, excluding Denmark	739,853	92,388	832,241
USA	174,484	-	174,484
Australia	442,519	-	442,519
Asia	642,845	-	642,845
Other	1,656	-	1,656
<b>Total</b>	<b>2,649,951</b>	<b>654,284</b>	<b>3,304,235</b>

	2011	2010
<b>Impairment for receivables from credit institutions and central banks</b>		
Impairment at 1 January	45,255	42,091
Reversal of impairment during the year	(17,756)	-
Exchange rate adjustments	(669)	3,164
<b>Impairment for receivables from credit institutions and central banks at 31 December</b>	<b>26,830</b>	<b>45,255</b>

No receivables from credit institutions or central banks are considered past due, but not impaired (2010: DKK 0 million). No collateral is received from credit institutions and central banks (2010: DKK 0 million).





## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)	2011	2010
<b>Derivative financial instruments with positive fair value</b>		
Currency contracts	3,532,166	2,274,596
Interest rate contracts	20,393	15,195
Equity contracts	1,224,067	875,557
Commodity contracts	205,570	222,451
<b>Derivative financial instruments with positive fair value</b>	<b>4,982,196</b>	<b>3,387,799</b>
Netting and collateral offset (under capital adequacy rules)	(4,543,672)	(2,849,628)
<b>Net current exposure</b>	<b>438,524</b>	<b>538,171</b>

Most of the Group's clients are trading against the provision of collateral. Accepted collateral includes cash, on-demand bank guarantees, bonds, stocks, mutual funds and exchange traded funds. Clients trading on credit and without any collateral follow the Group's credit granting process. Both types of clients are included in the Group's ongoing statement of client exposures and are monitored continuously. The Group has systems put in place which ensure that position increasing activities cannot be carried out and margin calls are made in case of breach of the agreed limits. Ultimately, open positions may be liquidated in order to cover a potential margin deficit or credit facility.

The Group incurs credit exposures to financial counterparties related to unrealised profits on derivative exposures as part of its investment activities. Financial counterparties follow the Group's counterparty credit valuation and granting process. Large engagements with financial counterparties are explicitly approved by the Board of Directors, whom also set the credit limits. ISDA standardised agreements are entered with financial counterparties as applicable.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

The bond portfolio is rated based on Standard & Poor's rating methodology or equivalent ratings from other credit rating agencies. In case of rating discrepancies between credit rating agencies, an internal prioritisation ladder is applied.

### Bond portfolio broken down by rating category

<b>2011</b>	<b>Danish mortgage bonds</b>	<b>Government bonds</b>	<b>Corporate bonds</b>	<b>Other bonds</b>	<b>Total</b>
AAA	2,424,469	5,451,029	-	-	7,875,498
Other investment grade	8,997	-	5,061	-	14,058
Sub-investment grade or unrated	-	-	21,131	20,492	41,623
<b>Total</b>	<b>2,433,466</b>	<b>5,451,029</b>	<b>26,192</b>	<b>20,492</b>	<b>7,931,179</b>

### 2010

AAA	6,002,377	4,096,453	-	-	10,098,830
Other investment grade	10,063	-	19,756	-	29,819
Sub-investment grade or unrated	-	-	182,040	18,970	201,010
<b>Total</b>	<b>6,012,440</b>	<b>4,096,453</b>	<b>201,796</b>	<b>18,970</b>	<b>10,329,659</b>

Bonds with no rating are mainly attributable to structured bonds and unrated corporate bonds.

### Bond portfolio broken down by geography

<b>2011</b>	<b>Danish mortgage bonds</b>	<b>Government bonds</b>	<b>Corporate bonds</b>	<b>Other bonds</b>	<b>Total</b>
Denmark	2,433,466	51,568	7,828	12,185	2,505,047
Europe, excluding Denmark	-	5,106,906	18,067	-	5,124,973
USA	-	292,555	297	8,307	301,159
<b>Total</b>	<b>2,433,466</b>	<b>5,451,029</b>	<b>26,192</b>	<b>20,492</b>	<b>7,931,179</b>

### 2010

Denmark	5,380,552	287,515	21,295	12,740	5,702,102
Europe, excluding Denmark	631,888	3,392,850	166,025	-	4,190,763
USA	-	416,088	14,476	6,230	436,794
<b>Total</b>	<b>6,012,440</b>	<b>4,096,453</b>	<b>201,796</b>	<b>18,970</b>	<b>10,329,659</b>



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### MARKET RISK

Market risk is defined as the risk of loss due to movements in market prices on risk factors such as foreign exchange, equities, commodities and interest rates. Market risk arises from handling the client flow in the market maker functions or from proprietary positions in the Group's treasury activities. The objective of Market Risk Management is to manage and control market risk exposures within the Board given mandate.

The Board of Directors has set limits for the different risk factor types via the Board instructions; these are allocated within the Group's subsidiaries and subsequently trading organisation. The limits are monitored by the risk management department and utilisation is reported back to the Board of Directors.

Sensitivity analysis for each type of market risk for the Group is disclosed below. This information is supported by VaR information for part of the market risk in the Group.

	2011	2010
<b>Foreign currency risk</b>		
Assets in foreign currency, total	18,400,984	17,388,528
Liabilities in foreign currency, total	17,836,562	15,290,759
Foreign currency indicator 1	2,620,385	1,048,192
Foreign currency indicator 1 is the higher of the sum of long foreign currency positions or the sum of short foreign currency positions.		
Foreign currency indicator 2	76,960	19,095
Foreign currency indicator 2 is calculated on the basis of variances and covariances published by the Danish FSA on the basis of the last 3 years' rolling 10-day periods. A foreign currency indicator 2 equal to DKK 77.0 million (2010: 19.1 million) means, that if the Group does not change foreign currency positions in the following 10 days, there is a 1 per cent probability that the Group will have a capital loss greater than DKK 77.0 million (2010: DKK 19.1 million).		
<b>Interest rate risk</b>		
Interest rate risk on financial instruments included in trading portfolio	25,175	140,204
Interest risk on bonds not included in trading portfolio	16,569	46,832
Interest rate risk on loans not included in the trading portfolio	(34,306)	(32,419)
<b>Total interest rate risk</b>	<b>7,438</b>	<b>154,617</b>

Interest rate risk is calculated by a parallel shift in the interest rate curve with one percentage point.

An interest rate increase/decrease on the items not included in the trading portfolio of one percentage point will result in a profit/loss of DKK 17.7 million (2010: DKK 14.4 million).



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Equity risk

The risk of loss due to movements in market risk factors is based on the net position of long and short positions in equities including associates and equity contracts. Purchase price adjustments for associates are not included.

The Group has certain equities not held for trading, which are strategic banking industry investments which support part of the retail bank activities.

Fair value of equities and notional amounts of equity contracts are disclosed as follows:

	2011	2010
Long positions	1,395,861	1,054,258
<i>hereof equity contracts</i>	<i>1,224,067</i>	<i>875,557</i>
Short positions	344,033	465,161
<i>hereof equity contracts</i>	<i>344,033</i>	<i>465,161</i>
Net positions	1,051,828	589,097
<i>hereof equity contracts</i>	<i>880,034</i>	<i>410,396</i>

Equity risk is calculated by an increase/decrease of 5% (2010: 5%) in equity values and for equity contracts the notional amounts which will result in a profit/loss of DKK 26.1 million (2010: DKK 29.4 million).

### Commodity price risk

The Groups commodity price risk is disclosed as part of the VaR information.

### Risk weighted items according to the standard method for market risk

	Group	Of which is covered by VaR positions <sup>1)</sup>
<b>2011</b>		
Foreign currency risk	2,620,385	2,604,948
Interest rate risk	470,216	208,600
Equity price risk	325,028	297,074
Commodity price risk	44,933	44,933
<b>Total</b>	<b>3,460,562</b>	<b>3,155,555</b>
<b>2010</b>		
Foreign currency risk	1,048,192	1,780,327
Interest rate risk	2,312,528	1,787,211
Equity price risk	336,983	266,322
Commodity price risk	148,924	148,924
<b>Total</b>	<b>3,846,627</b>	<b>3,982,784</b>

<sup>1)</sup> VaR positions are disclosed on page 115.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Trading and investment services

The Group operates its trading and investment business using the Group's online investment trading platform. This entails a trade execution flow which allows for market-making functions in selected instruments. Other traded instruments supported by the Bank are offered on a hedged basis.

The market risk of the trading portfolios is quantified and monitored against a number of exposure, loss and Value-at-Risk limits.

Exposure and loss limit utilisations are monitored on five minute intervals, while Value-at-Risk limit utilisation is evaluated on an end-of-day basis.

Exposure limits are both set according to the underlying asset class, and also on a more granular level differentiating between different risk profiles within a single asset class.

Exposure limits on foreign exchange are segmented into more granular levels based on instrument characteristics such as market availability, liquidity and volatility. On foreign exchange options limits are also set on the Greeks: delta, gamma, vega and theta. Such limits assure that the different risk elements (underlying price, volatility and time-decay) from options are maintained.

Exposure limits on equities are set on gross, net and single to cater for both market wide movements and concentration risk. Exposure limits on commodities are also set on gross, net and single. The single level is furthermore broken into tenors to avoid concentration risk in specific time buckets.

Loss limits are set on a single day basis and on a five day rolling basis, and relative to the underlying asset class and exposure mandate.

The Value-at-Risk (VaR) is the estimated loss that potentially could arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR limit framework used by the Group is based upon a 95% confidence and assumes a 1 day holding period. The VaR model used is based on Monte Carlo simulations to account for non-linear instruments.

VaR is deemed to be a good basis for comparing and monitoring risk across different asset classes. However, the model is based on certain assumptions that should be noted:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for highly illiquid markets
- A 95% confidence level does not reflect losses that may occur beyond this level
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios

	2011	2010
<b>VaR position</b>		
Foreign currency risk	10,694	10,662
Interest rate risk	1,527	5,449
Equity price risk	3,933	752
Commodity price risk	314	302
<b>Total VaR position</b>	<b>16,468</b>	<b>17,165</b>

To supplement VaR a stress testing framework is implemented. Based on the most important risk factors in terms of exposures and VaR contributors, a number of stress tests have been constructed to determine the Group's vulnerability to large unexpected changes in these risk factors.

Furthermore, a set of stress tests replicating changes experienced in known historical events are also performed.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Derivative financial instruments

	2011		2010		2011		2010	
	Notional amount	Net fair value	Notional amount	Net fair value	Fair value Positive	Fair value Negative	Fair value Positive	Fair value Negative
<b>Currency contracts</b>								
Forwards/futures purchased	38,606,160	8,411	31,881,791	220,774	998,023	(989,612)	665,622	(444,848)
Forwards/futures sold	33,604,014	725,646	26,342,193	268,904	1,014,320	(288,674)	545,756	(276,852)
Options purchased	43,741,408	830,490	39,760,861	331,221	953,017	(122,528)	421,855	(90,634)
Options written	37,532,818	(472,461)	37,804,311	(411,920)	212,028	(684,489)	147,211	(559,131)
<b>Interest rate contracts</b>								
Forwards/futures purchased	3,796,153	18,954	3,785,374	(4,561)	19,228	(274)	7,070	(11,631)
Forwards/futures sold	3,995,953	(12,119)	3,782,143	(1,730)	1,165	(13,284)	8,125	(9,855)
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-
Swaps	427,563	(75,681)	442,661	(27,195)	-	(75,681)	-	(27,195)
<b>Equity contracts</b>								
Forwards/futures purchased	8,608,227	111,565	10,689,012	241,762	271,634	(160,069)	315,358	(73,596)
Forwards/futures sold	9,180,368	768,469	10,963,498	151,304	952,433	(183,964)	542,489	(391,185)
Options purchased	-	-	558,479	17,710	-	-	17,710	-
Options written	-	-	212,098	(380)	-	-	-	(380)
<b>Commodity contracts</b>								
Forwards/futures purchased	3,551,350	(21,960)	4,302,020	186,484	44,110	(66,070)	199,691	(13,207)
Forwards/futures sold	3,634,935	128,723	4,213,074	(203,414)	161,460	(32,736)	8,710	(212,124)
Options purchased	-	-	100,360	14,050	-	-	14,050	-
Options written	-	-	97,076	(8,503)	-	-	-	(8,503)
<b>Total</b>		<b>2,010,037</b>		<b>774,506</b>	<b>4,627,418</b>	<b>(2,617,381)</b>	<b>2,893,647</b>	<b>(2,119,141)</b>

### Unsettled spot transactions

<b>Currency contracts</b>								
Foreign exchange, transactions purchased	9,278,728	(847)	13,454,341	90,760	108,735	(109,582)	195,375	(104,615)
Foreign exchange, transactions sold	9,616,673	207,556	13,875,355	207,295	246,043	(38,487)	298,777	(91,482)
<b>Total</b>		<b>206,709</b>		<b>298,055</b>	<b>354,778</b>	<b>(148,069)</b>	<b>494,152</b>	<b>(196,097)</b>



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Derivative financial instruments – specified by maturity

	Within 3 months		3 - 12 months		1 - 5 years		> 5 years	
	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value
<b>2011</b>								
<b>Currency contracts</b>								
Forwards/futures purchased	31,404,033	195,326	6,307,772	(197,532)	894,355	10,616	-	-
Forwards/futures sold	31,337,112	660,083	2,266,902	65,563	-	-	-	-
Options purchased	29,845,583	296,052	13,893,708	534,370	2,117	67	-	-
Options written	24,472,395	3,234	13,055,206	(475,640)	5,217	(55)	-	-
<b>Interest rate contracts</b>								
Forwards/futures purchased	2,524,099	17,718	789,436	862	482,618	374	-	-
Forwards/futures sold	2,581,386	(10,816)	931,608	(978)	482,958	(325)	-	-
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	427,563	(75,681)
<b>Equity contracts</b>								
Forwards/futures purchased	8,541,636	111,744	58,428	(439)	5,799	135	2,364	125
Forwards/futures sold	9,113,313	767,872	58,759	731	5,863	(75)	2,432	(60)
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-
<b>Commodity contracts</b>								
Forwards/futures purchased	2,472,675	(6,049)	1,058,827	(16,111)	19,848	200	-	-
Forwards/futures sold	2,551,336	80,090	1,065,496	49,592	18,103	(958)	-	-
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

### Derivative financial instruments – specified by maturity

	Within 3 months		3 - 12 months		1 - 5 years		> 5 years	
	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value
<b>2010</b>								
<b>Currency contracts</b>								
Forwards/futures purchased	27,183,665	146,840	4,643,818	75,559	54,308	(1,625)	-	-
Forwards/futures sold	23,624,930	231,365	2,663,883	35,913	53,380	1,626	-	-
Options purchased	26,486,492	154,158	13,273,182	177,002	1,187	61	-	-
Options written	24,716,203	(139,403)	13,085,622	(272,116)	2,486	(401)	-	-
<b>Interest rate contracts</b>								
Forwards/futures purchased	2,163,829	(6,386)	393,881	466	1,227,664	1,359	-	-
Forwards/futures sold	2,159,270	116	394,984	(353)	1,227,889	1,493	-	-
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	442,661	(27,195)
<b>Equity contracts</b>								
Forwards/futures purchased	10,684,422	241,698	3,117	(2)	1,473	66	-	-
Forwards/futures sold	10,959,019	151,480	3,014	(102)	1,465	(74)	-	-
Options purchased	267,913	2,828	290,566	14,882	-	-	-	-
Options written	212,098	(380)	-	-	-	-	-	-
<b>Commodity contracts</b>								
Forwards/futures purchased	2,885,097	103,874	1,379,986	81,183	36,937	1,427	-	-
Forwards/futures sold	2,900,725	(92,911)	1,275,391	(109,097)	36,958	(1,406)	-	-
Options purchased	37,739	4,978	62,621	9,072	-	-	-	-
Options written	36,489	(1,771)	60,587	(6,732)	-	-	-	-





## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

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### LIQUIDITY RISK

The Group operates with a liquidity pool available at all times in the form of unencumbered, highly liquid securities and cash instruments to address the estimated potential cash needs during a liquidity crisis. The Group acknowledges the value of flexibility and the balance between the counterparty risks associated with holding cash during a liquidity crisis, and the importance of being liquid during the first period of a liquidity crisis.

The Group operates with the following main liquidity objectives:

- The Group has the capacity to fulfill all payment obligations as and when they fall due – to their full extent and in the currency required
- The Group continues as a going concern under its current business model in case of increasing cost of funding or even lack of funding
- Prevent the Group's cost of funding rises to disproportionate levels

#### Operational liquidity risk

On a contractual basis the Group has more obligations due on demand or within a short time frame than assets held by the Group maturing on demand or within a short timeframe. In order to address this mismatch it is the policy of the Group to hold a buffer at all times in cash or cash-like securities to meet any outgoing demands based on reasonable estimates. Furthermore, it is the Group's policy to keep an appropriate liquidity pool available at all times to meet any other payment obligations in due time.

#### Liquidity stress testing

It is the policy of the Group to update, maintain and execute stress tests on the liquidity on an ongoing basis. The methods and scenarios are 1) client and partner funds withdrawal, 2) adverse interest rate curve shifts, 3) prepayment on any outstanding loans or credit facilities and 4) business impairment resulting in client funds growth standstill. The scenarios include both individual stress and collected aggregated adverse movements against liquidity.

Through the monthly reporting to the Board of Management and the Danish FSA the assumptions and scenarios are reviewed and updated upon necessary judgment.

#### Structural liquidity risk

It is the policy of the Group to operate with a viable liquidity contingency plan which outlines the chain of command in event of liquidity crisis, a precise definition of how and when a liquidity issue may arise – including scenarios of 1) client deposit withdrawals, 2) adverse interest rate curve shift, 3) funds unchanged throughout the specified period 4) other unspecified events.

The contingency plan, which is continuously maintained and developed, outlines early warning signs containing threshold indicators which, upon breach, will notify the Group Treasury Department, who is responsible for escalating the matter accordingly to the chain of command.

#### Funding sources

The primary source of funding for the Group is client deposits. Only a minor part of this is used to service the Group's lending book as well as the Group's margin trading with counterparties. Secondary funding sources are loans, credit facilities, REPOs and accumulated earnings. The Group does not need nor require obtain external funding in the normal course of business.

In a general market crisis or specific bank crisis, the Group can access liquidity through a reallocation of its investments to demand deposits and/or halt business growth to such an extent that collateral placed with business partners, which consists mainly of short term, highly liquid Government debt securities, are available.

#### Liquidity - regulatory requirements

In addition to the regulatory capital requirement the Group are subject to regulatory liquidity requirements. The liquidity shall amount to no less than:

- 15 per cent of the debt exposures that, irrespective of possible payment conditions, are the liability of the Bank to pay on demand or at notice of no more than one month, and
- 10 per cent of the total debt and guarantee exposures of the Bank, less subordinated debt that may be included in calculations of the capital base.

The following may be included in calculations of liquidity:

- cash in hand,
- fully secured and liquid demand deposits with credit institutions and insurance companies, and
- equity investments of secure and easily realisable securities and credit funds not used as collateral for a loan.

The Group met the regulatory liquidity requirements throughout the year 2011 and expects to fulfil future regulatory liquidity requirements.

As of 31 December 2011, the regulatory liquidity requirement for the Group was DKK 2.63 billion (2010: DKK 2.39 billion). The Group's liquidity as of 31 December 2011 to cover this requirement was DKK 12.40 billion (2010: DKK 10.93 billion).



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

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### OPERATIONAL RISK

Operational risk is inherent in all business activities and cannot be completely eliminated. Furthermore, operational risk has no material upside in terms of return/income generation, which means that the Group cannot in general expect to gain a higher expected return by assuming more operational risk. Therefore, the overall objective of operational risk management is to identify material risks and to mitigate them where feasible and to the extent economically reasonable.

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, human errors, errors in IT-systems, or as a consequence of external events.

The operational risk appetite is defined as the level of residual risk tolerated by the Group in the pursuit of its business objectives. In general, the Group has low tolerance towards operational risks and is aiming to reduce the losses resulting from these events to a point where the Group is not materially impacted by them. However, the Group has zero tolerance towards operational risk related to fraud and compliance breaches and therefore the Group makes its utmost to mitigate these types of risk.

#### Operational Risk Management Framework

The Group has established an operational risk management framework and takes all possible steps to understand the business' exposure to risk arising from failures in internal controls, operational processes or the systems that support them.

The aim of the operational risk management framework is to enable the Group to collect, assess, manage, and report operational risk efficiently and effectively.

#### Collection and registration of data

Management ensures that procedures and tools are implemented pertaining to ensure a systematic identification, collection and classification of operational risk events across the Group.

The mapping of the Group's operational risk landscape is based on internal and external historical data, internal risk assessment and external expert reports. Therefore, the following techniques for collecting operational risk events are used and documented and form the basis for a consistent examination of the Group's exposures related to operational risk:

- All losses/gains above a certain limit arising from operational risk events are collected and registered in an error register on a daily basis
- Operational risk and control self assessments are conducted across the Group on a regular basis. This activity ensures that all material operational risks inherent in the Group's products, activities, processes and systems are captured in a systematic and timely manner. Operational risks inherent in new products, activities, processes and systems are assessed before the initiatives are introduced or undertaken
- Information on external operational risk events occurring in the banking industry are systematically utilised to ensure the completeness of the Group's risk landscape

#### Assessment

The risk assessment includes a systematic evaluation of risk events in terms of likelihood and impact based on expected loss frequency, i.e. how often an event occurs, and expected loss on average, i.e. the average cost of an event when it occurs. Each risk event is evaluated in light of implemented mitigating measures/controls. Control failures are captured and evaluated similar to other risk events.

External risk events are assessed and evaluated in cooperation with internal parties through workshops.

In addition, for all loss events in the error register, the Group determines the actual loss, i.e. the loss or gain that an actual event resulted in, and potential loss, i.e. the highest loss that the actual event could have resulted in, given the current controls.

To determine the Group's capital requirements in the context of operational risk, the content of the risk register is used as input to Monte Carlo simulations. The latter method is used to generate random loss scenarios based on assessed probabilities and impact. The result is a loss distribution, which forms the basis for the determination of expected loss, Value-at-Risk and expected shortfall with one year horizon. Assumptions are made on confidence levels as well as on the correlation between the various events.

#### Management and Mitigation

The following three methods are mainly used to manage and mitigate risks:

- **Insurance coverage:** Insurance coverage is used to ensure appropriate coverage against extreme events. However, the Group may incur liabilities that are not covered by insurance as not all claims are insurable. Thus, there can be no assurance that the Group will not experience major incidents of a nature that are non-insurable.
- **Contingency plan:** Contingency plans are developed in accordance with the overall risk strategy.
- **Controls:** Controls are in place to prevent or detect material risk events. Implementation and improvements of controls are based on a cost benefit analysis.



## NOTES - RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

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### *Reporting*

Operational risk errors with material impacts, direct and indirect losses above a certain limit are reported to the Board of Directors. The report describes events that led or could lead to substantial losses and actions taken to ensure that the likelihood of similar errors is reduced.

At least annually, a written report describing the size and development of the Group's operational risks is provided to the Board of Directors enabling the Board of Directors to and make any changes to the operational risk policy. The report provides an assessment of the current operational risk landscape, describes the events that led or could have led to substantial losses for the Group, proposed changes to the Group's business model, system and products.

### **Policy**

The Group's Operational risk policy is approved by the Board of Directors and is reviewed annually. Furthermore, the Board of Directors have established guidelines for handling the Group's Operational Risk in the instructions to the Board of Management.

### **CAPITAL BASE**

#### **Capital base - regulatory requirements**

Saxo Bank A/S and the Group are both subject to Danish regulatory capital requirements and therefore need to comply with the capital requirements of the Danish Financial Business Act. The rules are based on the EU capital requirements directives. The Group's financial subsidiaries in and outside Denmark must comply with Danish or local capital requirements.

The Group reports each quarter in regards to the capital requirements to the Danish Financial Supervisory Authority.

The Group must hold a capital base at least equal to the current ICAAP level as determined by the Board of Directors. This ICAAP level cannot be less than the minimum regulatory requirement equal to 8% of risk weighted assets. The calculation of the ICAAP result is based on an internal process during which management assesses the overall risks. The ICAAP is updated regularly as capital requirements are subject to change due to changes in the business as well as risks and controls, both internally and externally.

As of 31 December 2011, the capital base for the Group was DKK 1.82 billion after inclusion of net profit for the year, compared with DKK 1.97 billion at the end of 2010. The capital base decrease is related to greater increase in goodwill on acquisitions and investments in IT development than the increase in equity from profit after dividend payments. As of 31 December 2011, the Group's ICAAP result showed a capital requirement of DKK 1.41 billion.

The Group met the regulatory capital requirements throughout the year 2011.

The statement of Capital base on page 55 provides a specification of the capital base including Core Tier 1 capital and Tier 1 capital, and note 30 Subordinated debt provides a specification of guaranteed capital and subordinated capital which is recognised in the capital base.

The Group is continuously monitoring its capital adequacy in order to ensure compliance with current and future capital requirements, including the possible implementation of new regulatory capital requirements, CRD IV, from 2013. The Group has a capital contingency plan which contains a contingency plan for deviations from expectations and decisions of what should happen in case of unexpected events.

#### **Reporting, ICAAP and Risk Report**

Under Danish law Saxo Bank A/S must publish the result of its Internal Capital Adequacy Assessment Process (ICAAP) every quarter. The unaudited reports are available at [www.saxoworld.com/investorrelations](http://www.saxoworld.com/investorrelations).

The unaudited Risk Report (Pillar III report) 2011 specifies the Risk Weighted Assets and is available at [www.saxoworld.com/investorrelations](http://www.saxoworld.com/investorrelations).



## NOTES - KEY FIGURES AND RATIOS – SAXO BANK GROUP

(DKK 1,000)	IFRS		Danish GAAP		
	2011	2010	2009	2008	2007
<b>Key figures</b>					
Net interest, fees and commissions	873,786	676,400	223,539	(417,739)	(208,713)
Price and exchange rate adjustments	2,653,073	2,661,694	2,003,963	2,935,930	1,773,162
Staff costs and administrative expenses	(2,498,552)	(2,230,328)	(1,736,706)	(1,855,438)	(1,138,226)
Impairment charges for receivables, loans, advances etc.	(48,392)	(14,022)	(45,692)	(53,912)	(3,062)
Income from associates	9,024	11,050	988	-	-
Net profit	617,750	643,513	201,351	339,217	275,249
Loans and advances at amortised cost	1,690,399	1,989,898	92,159	85,286	118,160
Subordinated debt	902,512	941,977	409,283	409,362	410,031
Total equity	3,240,031	2,880,040	2,335,103	1,416,721	1,093,051
Total assets	27,018,212	22,437,694	15,210,534	10,456,072	9,996,237
Average number of employees	1,413	964	927	1,297	1,011
<b>Ratios</b>					
Solvency ratio	14.5%	16.5%	19.0%	17.5%	18.2%
Tier 1 capital ratio	10.8%	12.9%	14.9%	11.6%	9.3%
Return before tax on Total equity	27.7%	35.0%	14.4%	37.3%	47.8%
Return after tax on Total equity	20.2%	24.7%	10.7%	27.0%	36.1%
Income proportional to cost	1.31	1.37	1.14	1.23	1.30
Interest rate risk	0.5%	10.1%	5.1%	1.6%	2.9%
Foreign exchange rate risk / Tier 1 capital	193.1%	68.2%	145.7%	423.4%	507.4%
Value at risk of foreign exchange rate risk / Tier 1 capital	5.7%	1.2%	4.4%	4.8%	5.7%
Loans, advances and provisions / Deposits	10.5%	13.1%	1.0%	1.3%	1.7%
Loans and advances proportional to Total equity	0.5	0.7	0.0	0.1	0.1
Growth of loans and advances <sup>1)</sup>	(15.1)%	2,059.5%	8.1%	(27.8)%	(3.0)%
Additional liquidity / liquidity requirement	432.2%	432.3%	764.5%	741.9%	789.0%
The total of large engagements / Capital Base	47.3%	36.8%	14.0%	31.5%	32.2%
Loss and provisions ratio (loans and advances)	4.0%	0.6%	7.5%	3.4%	2.3%

<sup>1)</sup> The significant increase in 2010 is caused by the acquisition of Saxo Privatbank A/S (former Brørup Sparekasse A/S).

See page 123 for definitions.

The consolidated figures for 2011 and 2010 are prepared in accordance with International Financial Reporting Standards (IFRS). Consolidated figures for 2007-2009 are prepared in accordance with the Danish Financial Business Act. Comparative figures for 2007-2009 are not restated. The impact on these figures is assessed not to be material.



## NOTES - DEFINITIONS OF KEY FIGURES AND RATIOS

### **Additional liquidity/liquidity requirement**

Cash in hand and demand deposits with central banks plus Receivables from credit institutions and central banks plus Bonds at fair value, less the liquidity requirement (see below) as a percentage of the liquidity requirement.

### **Income proportional to cost**

Operating income plus Other income, Income from associates and Income from subsidiaries proportional to Staff costs and administrative expenses plus Depreciation, amortisation and impairment of intangible and tangible assets plus Other expenses and impairment charges for loans, advances etc.

### **Foreign exchange rate risk / Tier 1 capital**

Foreign exchange rate risk as a percentage of Tier 1 capital.

### **Growth of Loans and advances**

Increase in loans and advances as a percentage of the previous financial year.

### **Interest rate risk**

Interest rate risk under market risk as a percentage of Tier 1 capital.

### **Liquidity requirement**

10 % of Total assets plus Guarantees, less Total equity and Subordinated loans.

### **Loans and advances proportional to Total equity**

Loans and advances proportional to Total equity.

### **Loans, advances and provisions / Deposits**

Loans and advances gross (before provisions) as a percentage of Deposits.

### **Loss and provisions ratio**

Loss and provisions for bad debt on Loans and advances as a percentage of Loans and advances plus Guarantees.

### **Return before tax on Total equity**

Profit before tax as a percentage of average Total equity.

### **Return after tax on Total Equity**

Net profit as a percentage of average Total equity.

### **Solvency ratio**

The solvency ratio measures Capital base as a percentage of risk weighted items.

### **The total of large engagements / Capital base**

Large engagements as a percentage of Capital base.

### **Tier 1 capital ratio**

Total equity including Net profit less Intangible assets including goodwill in associates, Proposed dividend and Deferred tax assets as a percentage of risk weighted items.

### **Value at risk / Tier 1 capital base**

Value at risk of foreign exchange rate risk as a percentage of Tier 1 capital.



# **PARENT COMPANY – SAXO BANK A/S**



## INCOME STATEMENT – SAXO BANK A/S 1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2011	2010
2	Interest income	749,627	861,578
3	Interest expense	(132,968)	(122,644)
	<b>Net interest income</b>	<b>616,659</b>	<b>738,934</b>
4	Fee and commission income	910,944	915,794
5	Fee and commission expense	(1,537,798)	(1,812,814)
	<b>Net interest, fees and commissions</b>	<b>(10,195)</b>	<b>(158,086)</b>
6	Price and exchange rate adjustments	2,684,750	2,670,291
	<b>Operating income</b>	<b>2,674,555</b>	<b>2,512,205</b>
7	Other income	84,539	18,015
8, 9	Staff costs and administrative expenses	(1,768,858)	(1,750,222)
10	Depreciation, amortisation and impairment of intangible and tangible assets	(155,874)	(119,916)
	Other expenses	(288)	(29,337)
	Impairment charges for receivables, loans, advances etc.	(31,041)	(6,521)
16	Income from associates	9,478	10,555
17	Income from subsidiaries	34,192	228,025
	<b>Profit before tax</b>	<b>846,703</b>	<b>862,804</b>
11	Tax	(228,155)	(218,930)
	<b>Net profit</b>	<b>618,548</b>	<b>643,874</b>
	<b>Proposed allocation of net profit</b>		
	Equity method reserve	43,670	238,580
	Allocated to retained earnings	574,878	405,294
	<b>Total allocation</b>	<b>618,548</b>	<b>643,874</b>





STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK A/S  
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2011	2010
	<b>Net profit</b>	<b>618,548</b>	<b>643,874</b>
	<b>Other comprehensive income</b>		
	Exchange rate adjustments	35,727	220,754
25	Fair value adjustment of cash flow hedges in subsidiaries, net of tax	(36,890)	(10,232)
25	Hedge of net investments in foreign entities	(23,657)	(100,060)
11	Tax on other comprehensive income	5,915	25,015
	<b>Total other comprehensive income</b>	<b>(18,905)</b>	<b>135,477</b>
	<b>Total comprehensive income</b>	<b>599,643</b>	<b>779,351</b>



## STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S AT 31 DECEMBER

Note	(DKK 1,000)	2011	2010
<b>ASSETS</b>			
	Cash in hand and demand deposits with central banks	101,076	101,137
12	Receivables from credit institutions and central banks	4,679,133	1,404,438
13,14	Loans and advances at amortised cost	404,004	249,914
15	Bonds at fair value	5,476,254	8,248,767
	Equities	13,649	9,027
16	Investments in associates	286,910	254,099
17	Investments in subsidiaries	2,280,225	1,669,962
18	Intangible assets	2,025,135	1,451,364
19	Tangible assets	129,461	108,852
	Tax receivables	8,296	25,856
22	Deferred tax assets	190	428
	Other assets	5,130,734	3,686,843
	Prepayments	59,039	34,278
<b>Total assets</b>		<b>20,594,106</b>	<b>17,244,965</b>



STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S  
AT 31 DECEMBER

Note	(DKK 1,000)	2011	2010
	<b>LIABILITIES</b>		
20	Debt to credit institutions and central banks	56,531	64,647
21	Deposits	13,196,947	10,748,825
	Tax liabilities	21,072	693
	Other liabilities	3,305,104	2,804,812
	<b>Total debt</b>	<b>16,579,654</b>	<b>13,618,977</b>
22	Deferred tax liabilities	291,454	158,621
23	Other provisions	91,230	187,248
	<b>Total provisions</b>	<b>382,684</b>	<b>345,869</b>
24	<b>Subordinated debt</b>	<b>408,933</b>	<b>409,962</b>
	<b>EQUITY</b>		
	Share capital	66,598	66,547
	Equity method reserve	372,673	737,580
	Retained earnings	2,783,564	2,066,030
	<b>Total shareholders' equity</b>	<b>3,222,835</b>	<b>2,870,157</b>
	Non-controlling interests	-	-
	<b>Total equity</b>	<b>3,222,835</b>	<b>2,870,157</b>
	<b>Total equity and liabilities</b>	<b>20,594,106</b>	<b>17,244,965</b>
25	<b>Hedge Accounting</b>		
26	<b>Related parties</b>		
27	<b>Contingent and contractual liabilities</b>		
28	<b>Risk Management</b>		
29	<b>Key figures and ratios</b>		



## STATEMENT OF CHANGES IN EQUITY – SAXO BANK A/S AT 31 DECEMBER

(DKK 1,000)	Share capital	Equity method reserve	Retained earnings	Total
<b>Equity 1 January 2010</b>	<b>66,513</b>	<b>368,811</b>	<b>1,889,659</b>	<b>2,324,983</b>
Net profit	-	238,580	405,294	643,874
<b>Other comprehensive income</b>				
Exchange rate adjustments	-	220,754	-	220,754
Fair value adjustment of cash flow hedges in subsidiaries, net of tax	-	(10,232)	-	(10,232)
Hedge of net investments in foreign entities	-	(100,060)	-	(100,060)
Tax on other comprehensive income	-	25,015	-	25,015
Total other comprehensive income	-	135,477	-	135,477
<b>Total comprehensive income</b>	<b>-</b>	<b>374,057</b>	<b>405,294</b>	<b>779,351</b>
<b>Transactions with owners</b>				
Share-based payments	-	-	18,900	18,900
Adjustment (dilution)	-	(1,144)	1,144	-
Dividend paid to shareholders	-	-	(256,639)	(256,639)
Dividend paid from associates	-	(4,144)	4,144	-
Increase in share capital	34	-	3,528	3,562
<b>Equity 31 December 2010</b>	<b>66,547</b>	<b>737,580</b>	<b>2,066,030</b>	<b>2,870,157</b>
Net profit	-	43,670	574,878	618,548
<b>Other comprehensive income</b>				
Exchange rate adjustments	-	35,727	-	35,727
Fair value adjustment of cash flow hedges in subsidiaries, net of tax	-	(36,890)	-	(36,890)
Hedge of net investments in foreign entities	-	(23,657)	-	(23,657)
Tax on other comprehensive income	-	5,915	-	5,915
Total other comprehensive income	-	(18,905)	-	(18,905)
<b>Total comprehensive income</b>	<b>-</b>	<b>24,765</b>	<b>574,878</b>	<b>599,643</b>
<b>Transactions with owners</b>				
Share-based payments	-	-	2,400	2,400
Dividend paid to shareholders	-	-	(246,090)	(246,090)
Dividend treasury shares	-	-	139	139
Increase in share capital	51	-	6,171	6,222
Treasury shares in business combinations	-	-	(8,699)	(8,699)
Disposal of treasury shares	-	-	4,130	4,130
Dividend paid from subsidiaries	-	(384,605)	384,605	-
Other capital movements in subsidiaries	-	(5,067)	-	(5,067)
<b>Equity 31 December 2011</b>	<b>66,598</b>	<b>372,673</b>	<b>2,783,564</b>	<b>3,222,835</b>

Following the exercise of 51,015 warrants, the share capital increased by 51,015 shares with a nominal value of DKK 1 in 2011. As at 31 December 2011, the share capital consisted of 66,598,213 shares with a nominal value of DKK 1.



## STATEMENT OF CHANGES IN EQUITY – SAXO BANK A/S AT 31 DECEMBER

(DKK 1,000)	Number of shares	Percentage of share capital	Sales/ purchase price
<b>Holding of treasury shares</b>			
Holding at 1 January 2011	-	-	-
Returned in 2011	56,296	0.08	8,699
Sold in 2011	(29,106)	0.04	4,130
<b>Holding at 31 December 2011</b>	<b>27,190</b>		

In August 2011 56,296 Saxo Bank A/S shares were returned in a business combination. No transactions with treasury shares took place in 2010.



## STATEMENT OF CAPITAL BASE – SAXO BANK A/S AT 31 DECEMBER

(DKK 1,000)	2011	2010
Total equity	3,222,835	2,870,157
Intangible assets <sup>1)</sup>	(2,220,450)	(1,617,098)
Deferred tax liabilities, intangible assets <sup>2)</sup>	223,386	120,966
Deferred tax assets	(190)	(428)
<b>Core Tier 1 capital</b>	<b>1,225,581</b>	<b>1,373,597</b>
Investments in associates (50%) <sup>3)</sup>	(37,257)	-
<b>Tier 1 capital</b>	<b>1,188,324</b>	<b>1,373,597</b>
Subordinated loans, reduced value	390,345	354,058
Investments in associates (50%) <sup>3)</sup>	(37,257)	-
Investments in associates (100%) <sup>3)</sup>	-	(70,291)
<b>Capital base</b>	<b>1,541,412</b>	<b>1,657,364</b>
<sup>1)</sup> Including goodwill and other intangible assets from associates of DKK 195.3 million (2010: DKK 165.7 million).		
<sup>2)</sup> Saxo Bank A/S has when calculating the Core Tier 1 capital decided to use the regulatory possibility to reduce the intangible assets with the amount of the deferred tax liabilities related hereto. As from 2011 the total equity is therefore reduced with the intangible assets and increased with the related deferred tax liabilities in the capital calculation. The comparative figures for 2010 are restated accordingly.		
<sup>3)</sup> Relate to investments in associates which are credit institutions, excluding goodwill.		
<b>Risk weighted items</b>		
Credit risk	4,001,046	2,773,876
Market risk	3,155,555	3,982,784
Operational risk	3,926,953	3,233,319
<b>Total risk weighted items</b>	<b>11,083,554</b>	<b>9,989,979</b>
Core Tier 1 capital ratio	11.1%	13.7%
Tier 1 capital ratio	10.7%	13.7%
Solvency ratio	13.9%	16.6%



## NOTES – SAXO BANK A/S

**Note** (DKK 1,000)

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### **1 Accounting policies**

The financial statements of Saxo Bank A/S has been prepared in accordance with the Danish Financial Business Act and the Danish executive order on financial reports for credit institutions and investment companies, etc. dated 11 January 2011. The accounting policies for Saxo Bank A/S are the same as for the Saxo Bank Group, note 1 to the consolidated financial statements, with the exception of the items below.

#### **Investments in subsidiaries**

Investments in subsidiaries are measured in accordance with the equity method, which means that the investments are measured at the parent company's proportionate share of the net asset value of the subsidiaries at the reporting date, including purchase price allocations upon initial recognition. Profit or loss from investments in subsidiaries represents the share of the profit and loss after tax. The net revaluation is recognised in equity under Equity method reserve.

Acquisitions and disposals of non-controlling interests in subsidiaries are accounted for as additional investments or disposals with recognition of the effect on goodwill and the income statement.

#### **Derivative financial instruments**

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

The format of the financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRS.



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010
<b>2</b>	<b>Interest income</b>		
	Credit institutions and central banks	26,494	28,452
	Loans and advances	35,999	24,061
	Bonds	224,064	335,288
	Derivative financial instruments	463,070	473,777
	<b>Total interest income</b>	<b>749,627</b>	<b>861,578</b>
<b>3</b>	<b>Interest expense</b>		
	Credit institutions and central banks	(15,642)	(13,937)
	Deposits	(23,094)	(24,312)
	Subordinated loans	(18,155)	(14,624)
	Derivative financial instruments	(75,241)	(69,771)
	Other interest expense	(836)	-
	<b>Total interest expense</b>	<b>(132,968)</b>	<b>(122,644)</b>
<b>4</b>	<b>Fee and commission income</b>		
	Trading with equities and derivative financial instruments	910,944	914,156
	Other fee and commission income	-	1,638
	<b>Total fee and commission income</b>	<b>910,944</b>	<b>915,794</b>
<b>5</b>	<b>Fee and commission expense</b>		
	Trading with equities and derivative financial instruments	(1,537,798)	(1,812,814)
	<b>Total fee and commission expense</b>	<b>(1,537,798)</b>	<b>(1,812,814)</b>
<b>6</b>	<b>Price and exchange rate adjustments</b>		
	Bonds	(128,022)	(169,591)
	Foreign exchange	2,427,871	2,551,161
	Derivative financial instruments	384,901	288,721
	<b>Total price and exchange rate adjustments</b>	<b>2,684,750</b>	<b>2,670,291</b>
<b>7</b>	<b>Other income</b>		
	Revaluation gain on step acquisition	29,525	-
	Rental income	6,547	2,017
	Administrative services	2,777	2,090
	Other	45,690	13,908
	<b>Total other income</b>	<b>84,539</b>	<b>18,015</b>





## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010
<b>8</b>	<b>Staff costs and administrative expenses</b>		
	Staff costs	(846,518)	(823,033)
	Administrative expenses	(922,340)	(927,189)
	<b>Total staff costs and administrative expenses</b>	<b>(1,768,858)</b>	<b>(1,750,222)</b>
	<b>Staff costs</b>		
	Salaries	(683,938)	(691,454)
	Share-based payments	(2,400)	(18,900)
	Defined contribution plans	(59,540)	(46,393)
	Social security expenses and financial services employer tax	(100,640)	(66,286)
	<b>Total staff costs</b>	<b>(846,518)</b>	<b>(823,033)</b>
	Average number of employees (converted into full-time equivalents)	732	629

Remuneration to Board of Directors and the Board of Management is disclosed in note 9 Staff costs and administrative expenses in the consolidated financial statements.

Share-based payments are described in note 10 Share-based payments in the consolidated financial statements.

### Significant risk takers

Salaries and remuneration to significant risk takers included in Staff costs amounts to DKK 170.5 million. Saxo Bank A/S has 30 employees with significant influence on the Bank's risk profile determined based on the guidance in the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups. Salaries and remuneration to the 30 significant risk takers consist of fixed remuneration in total DKK 137.6 million and variable remuneration in total DKK 32.9 million. Saxo Bank has no pension liabilities regarding significant risk takers as their pension schemes are defined contribution plans. Variable remuneration is determined in accordance to the Bank's remuneration policy and is based on the performance of the individual person. Risk takers in controlling functions do not receive variable remuneration. Some of the significant risk takers participate in the warrant programme described in note 10 Share-based payments in the consolidated financial statements.

The Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups is effective for 2011 why no significant risk takers were identified in 2010 and therefore no comparative figures have been included.

Disclosures according to the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups are available at the Group's website [www.saxoworld.com](http://www.saxoworld.com). The disclosures are not covered by the statutory audit.

		2011	2010
<b>9</b>	<b>Audit fees</b>		
	Fees for statutory audit	(2,486)	(2,081)
	Fees for assurance engagements other than audit	(1,688)	(851)
	Fees for tax advice	(1,163)	(2,484)
	Fees for other services	(13,011)	(13,594)
	<b>Total audit fees</b>	<b>(18,348)</b>	<b>(19,010)</b>

Related to audit firm appointed at the annual general meeting to perform statutory audit. Audit fees are included in administrative expenses.



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010	
<b>10</b>	<b>Depreciation, amortisation and impairment of intangible and tangible assets</b>			
	Intangible assets	(115,296)	(82,513)	
	Tangible assets	(40,578)	(37,403)	
	<b>Total depreciation, amortisation and impairment of intangible and tangible assets</b>	<b>(155,874)</b>	<b>(119,916)</b>	
<b>11</b>	<b>Tax</b>			
	Taxation on profit for the year	(81,419)	(77,452)	
	Changes in deferred tax	(137,732)	(119,571)	
	Adjustments related to previous years' taxation	(3,089)	3,108	
	<b>Tax on total comprehensive income</b>	<b>(222,240)</b>	<b>(193,915)</b>	
	Of which is recognised in other comprehensive income	5,915	25,015	
	<b>Tax on profit recognised in the income statement</b>	<b>(228,155)</b>	<b>(218,930)</b>	
	Current tax rate	25.0%	25.0%	
	Effective tax rate	28.1%	35.1%	
	<b>Reconciliation of effective tax rate</b>			
	Profit before tax excluding income from associates and subsidiaries	813,076	624,223	
	Tax using the domestic corporation tax rate	(203,269)	(156,056)	
	Effect of tax rates in foreign jurisdictions	(479)	(697)	
	Non tax-deductible expenses	(1,719)	(5,430)	
	CFC taxation	(19,599)	(37,171)	
	Other adjustments related to previous year	(3,089)	(19,576)	
	<b>Total income tax expense recognised in income statement</b>	<b>(228,155)</b>	<b>(218,930)</b>	
	<b>Tax recognised in other comprehensive income</b>			
<b>2011</b>		<b>Before tax</b>	<b>Tax</b>	<b>Net of tax</b>
	Exchange rate adjustments	35,727	-	35,727
	Hedge of net investments in foreign entities	(23,657)	5,915	(17,742)
	<b>Total</b>	<b>12,070</b>	<b>5,915</b>	<b>17,985</b>
<b>2010</b>				
	Exchange rate adjustments	220,754	-	220,754
	Hedge of net investments in foreign entities	(100,060)	25,015	(75,045)
	<b>Total</b>	<b>120,694</b>	<b>25,015</b>	<b>145,709</b>



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010
<b>12</b>	<b>Receivables from credit institutions and central banks</b>		
	Demand deposits	4,642,495	1,368,759
	From 1 - 5 years	36,638	35,679
	<b>Total receivables from credit institutions and central banks</b>	<b>4,679,133</b>	<b>1,404,438</b>
	Receivables from credit institutions	904,133	1,294,438
	Receivables from central banks	3,775,000	110,000
	<b>Total receivables from credit institutions and central banks</b>	<b>4,679,133</b>	<b>1,404,438</b>
	<b>Receivables from credit institutions and central banks by geography</b>		
	Denmark	4,079,014	514,350
	Europe, excluding Denmark	89,763	260,561
	USA	258,437	169,306
	Australia	67,287	442,508
	Asia	184,632	17,713
	<b>Total receivables from credit institutions and central banks</b>	<b>4,679,133</b>	<b>1,404,438</b>
<b>13</b>	<b>Loans and advances at amortised cost</b>		
	Demand deposits:		
	Investment brokers	18,442	9,680
	Trading clients	57,052	127,847
	Lending clients	1,180	-
	Subsidiaries	327,330	112,387
	<b>Total loans and advances at amortised cost</b>	<b>404,004</b>	<b>249,914</b>
	<b>Loans, advances and guarantees by sector and industry</b>		
	Finance and insurance	13%	42%
	Other businesses	73%	55%
	<b>Total corporate sector</b>	<b>86%</b>	<b>97%</b>
	Private clients	14%	3%
	<b>Total loans, advances and guarantees</b>	<b>100%</b>	<b>100%</b>



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010
<b>14</b>	<b>Impairment for receivables, loans, advances and guarantees</b>		
	<b>Individual impairment for receivables from credit institutions and central banks</b>		
	Impairment at 1 January	45,255	42,091
	Exchange rate adjustments	(669)	3,164
	Reversals of impairment from previous years	(17,756)	-
	<b>Individual impairment for receivables from credit institutions and central banks at 31 December</b>	<b>26,830</b>	<b>45,255</b>
	<b>Individual impairment for loans, advances and guarantees</b>		
	Impairment at 1 January	17,729	11,788
	Impairment during the year	48,792	6,133
	Reversals of impairment from previous years	(15,789)	(192)
	<b>Individual impairment for loans, advances and guarantees at 31 December</b>	<b>50,732</b>	<b>17,729</b>
	Total receivables, loans, advances and guarantees with objective evidence of impairment before impairment. The amount does not include receivables, loans, advances and guarantees recognised at nil.	6,308	620
	Impaired	6,128	508
	<b>Carrying amount net of impairment</b>	<b>180</b>	<b>112</b>
<b>15</b>	<b>Bonds at fair value</b>		
	Quoted at NASDAQ OMX Nordic	264,467	4,937,135
	Quoted on other stock exchanges	5,211,787	3,311,632
	<b>Total bonds at fair value</b>	<b>5,476,254</b>	<b>8,248,767</b>
<b>16</b>	<b>Investments in associates</b>		
	Cost at 1 January	244,735	252,059
	Additions	70,572	4,472
	Transfer to investments in subsidiaries	(53,287)	(11,796)
	<b>Cost at 31 December</b>	<b>262,020</b>	<b>244,735</b>
	Revaluation at 1 January	9,364	988
	Dividend received	-	(4,144)
	Share of profit	9,478	10,555
	Transfer to investments in subsidiaries	(568)	1,965
	Exchange rate adjustments	6,616	-
	<b>Revaluation at 31 December</b>	<b>24,890</b>	<b>9,364</b>
	<b>Carrying amount at 31 December</b>	<b>286,910</b>	<b>254,099</b>

Please refer to note 21 in the consolidated financial statements for information on impairment testing.

A list of Group companies is found in note 41 in the consolidated financial statements.



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010
<b>17</b>	<b>Investments in subsidiaries</b>		
	Cost at 1 January	950,002	564,223
	Transfer from investments in associates	53,287	11,796
	Additions	1,203,401	581,802
	Goodwill related to acquisitions	(157,437)	(207,819)
	<b>Cost at 31 December</b>	<b>2,049,253</b>	<b>950,002</b>
	Revaluation at 1 January	719,960	367,823
	Adjustment to previous years	(7,925)	-
	Net profit	34,192	228,025
	Dividend	(384,605)	-
	Distribution of net assets	(106,555)	-
	Disposals	(4,000)	-
	Transfer from investments in associates	568	(1,965)
	Dilution of equity	600	(1,144)
	Fair value adjustment of cash flow hedge, net of tax	(36,890)	(10,232)
	Other adjustments	(306)	-
	Exchange rate adjustments	15,933	137,453
	<b>Revaluation at 31 December</b>	<b>230,972</b>	<b>719,960</b>
	<b>Total investments in subsidiaries</b>	<b>2,280,225</b>	<b>1,669,962</b>

Euroinvestor.com A/S is listed on the Danish stock exchange. Due to the stock exchange regulation consolidation of Euroinvestor.com A/S is based on public information available as per 30 September 2011.

Please refer to note 21 in the consolidated financial statements for information on impairment testing.

A list of Group companies is found in note 41 in the consolidated financial statements.



## NOTES – SAXO BANK A/S

Note (DKK 1,000)

### 18 Intangible assets

2011	Goodwill	Software under development	Software developed	Software purchased	Client relationships	Total
Cost at 1 January	978,582	250,470	381,703	38,606	4,347	1,653,708
Adjustment to previous years	-	7,729	-	-	-	7,729
Additions	157,437	513,088	-	17,262	-	687,787
Additions from internal development	-	(602,121)	602,121	-	-	-
Disposals	(20,592)	-	-	(161)	-	(20,753)
Exchange rate adjustments	14,144	-	-	(6)	-	14,138
<b>Cost at 31 December</b>	<b>1,129,571</b>	<b>169,166</b>	<b>983,824</b>	<b>55,701</b>	<b>4,347</b>	<b>2,342,609</b>
Amortisation and impairment at 1 January	-	-	(163,291)	(37,694)	(1,359)	(202,344)
Amortisation for the year	-	-	(111,134)	(3,075)	(1,087)	(115,296)
Reversal of amortisation and impairment, disposals	-	-	-	161	-	161
Exchange rate adjustments	-	-	-	5	-	5
<b>Amortisation and impairment at 31 December</b>	<b>-</b>	<b>-</b>	<b>(274,425)</b>	<b>(40,603)</b>	<b>(2,446)</b>	<b>(317,474)</b>
<b>Carrying amount at 31 December</b>	<b>1,129,571</b>	<b>169,166</b>	<b>709,399</b>	<b>15,098</b>	<b>1,901</b>	<b>2,025,135</b>
<b>2010</b>						
Cost at 1 January	684,432	106,120	234,210	37,863	4,347	1,066,972
Additions	207,952	300,381	-	743	-	509,076
Additions from internal development	-	(156,031)	156,031	-	-	-
Disposals	-	-	(8,538)	-	-	(8,538)
Exchange rate adjustments	86,198	-	-	-	-	86,198
<b>Cost at 31 December</b>	<b>978,582</b>	<b>250,470</b>	<b>381,703</b>	<b>38,606</b>	<b>4,347</b>	<b>1,653,708</b>
Amortisation and impairment at 1 January	-	-	(94,258)	(33,796)	(272)	(128,326)
Amortisation for the year	-	-	(69,031)	(3,898)	(1,087)	(74,016)
Impairment in the year	-	-	(8,497)	-	-	(8,497)
Reversal of amortisation and impairment, disposals	-	-	8,501	-	-	8,501
Exchange rate adjustments	-	-	(6)	-	-	(6)
<b>Amortisation and impairment at 31 December</b>	<b>-</b>	<b>-</b>	<b>(163,291)</b>	<b>(37,694)</b>	<b>(1,359)</b>	<b>(202,344)</b>
<b>Carrying amount at 31 December</b>	<b>978,582</b>	<b>250,470</b>	<b>218,412</b>	<b>912</b>	<b>2,988</b>	<b>1,451,364</b>



## NOTES – SAXO BANK A/S

Note (DKK 1,000)

### 19 Tangible assets

	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Total
<b>2011</b>				
Cost at 1 January	45,112	76,048	109,296	230,456
Additions	8,425	20,357	32,814	61,596
Disposals	(359)	(396)	(977)	(1,732)
Exchange rate adjustments	61	81	116	258
<b>Cost at 31 December</b>	<b>53,239</b>	<b>96,090</b>	<b>141,249</b>	<b>290,578</b>
Depreciation and impairment at 1 January	(13,687)	(21,593)	(86,324)	(121,604)
Depreciation for the year	(9,704)	(12,981)	(17,893)	(40,578)
Reversal of depreciation and impairment, disposals	189	248	816	1,253
Exchange rate adjustments	(26)	(50)	(112)	(188)
<b>Total depreciation and impairment 31 December</b>	<b>(23,228)</b>	<b>(34,376)</b>	<b>(103,513)</b>	<b>(161,117)</b>
<b>Carrying amount at 31 December</b>	<b>30,011</b>	<b>61,714</b>	<b>37,736</b>	<b>129,461</b>
<b>2010</b>				
Cost at 1 January	29,969	51,208	108,348	189,525
Additions	16,457	27,034	12,487	55,978
Disposals	(1,365)	(2,290)	(11,741)	(15,396)
Exchange rate adjustments	51	96	202	349
<b>Cost at 31 December</b>	<b>45,112</b>	<b>76,048</b>	<b>109,296</b>	<b>230,456</b>
Depreciation and impairment at 1 January	(6,992)	(12,965)	(75,945)	(95,902)
Depreciation for the year	(6,888)	(9,754)	(20,761)	(37,403)
Reversal of depreciation and impairment, disposals	219	1,182	10,552	11,953
Exchange rate adjustments	(26)	(56)	(170)	(252)
<b>Total depreciation and impairment 31 December</b>	<b>(13,687)</b>	<b>(21,593)</b>	<b>(86,324)</b>	<b>(121,604)</b>
<b>Carrying amount at 31 December</b>	<b>31,425</b>	<b>54,455</b>	<b>22,972</b>	<b>108,852</b>



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010
<b>20</b>	<b>Debt to credit institutions and central banks</b>		
	Debt on demand	56,531	64,647
	<b>Total debt to credit institutions and central banks</b>	<b>56,531</b>	<b>64,647</b>
<b>21</b>	<b>Deposits</b>		
	Deposits on demand	13,196,947	10,748,825
	<b>Total deposits</b>	<b>13,196,947</b>	<b>10,748,825</b>
<b>22</b>	<b>Deferred tax assets and deferred tax liabilities</b>		
	Deferred tax at 1 January, net	(158,193)	(38,371)
	Adjustments to previous years	4,659	(363)
	Recognised in the income statement	(137,737)	(119,571)
	Exchange rate adjustments	7	112
	<b>Deferred tax at 31 December, net</b>	<b>(291,264)</b>	<b>(158,193)</b>
	Deferred tax liabilities	(291,454)	(158,621)
	Deferred tax assets	190	428
	<b>Deferred tax at 31 December, net</b>	<b>(291,264)</b>	<b>(158,193)</b>

### Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
	2011	2010	2011	2010
Intangible assets	-	-	(225,873)	(120,966)
Tangible assets	(8)	-	4,036	5,037
Other provisions	198	428	(69,617)	(42,692)
<b>Total</b>	<b>190</b>	<b>428</b>	<b>(291,454)</b>	<b>(158,621)</b>







## NOTES – SAXO BANK A/S

**Note** (DKK million)

### 26 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2011 the following shareholders are registered directly or indirectly as holders of more than 5% of the share capital of Saxo Bank A/S:

Fournais Holding A/S, DK-2850 Nærum, Denmark.  
Lars Seier Christensen Holding A/S, DK-1264 Copenhagen, Denmark.  
TPG Capital, TX-76102 Fort Worth, United States.

	Parties with significant influence		Associates		Subsidiaries	
	2011	2010	2011	2010	2011	2010
Loans and advances at amortised cost	-	-	-	-	327	112
Deposits (liabilities)	1	2	-	-	1,056	1,127
Other assets	-	-	-	-	26	25
Other liabilities	-	-	-	-	58	-
Interest income	-	-	-	-	25	18
Fee and commission expense	-	-	-	-	605	691
Administrative services etc.	-	-	-	-	35	14
Leases	-	-	-	-	34	35
Subleases	-	-	-	-	6	3
Lease of airplane	-	-	-	-	9	10
Software development	-	-	3	19	91	31
Subscription of shares in Saxo Bank A/S:						
Exercise of warrants	-	-	-	-	-	-
Dividend from Saxo Bank A/S	226	236	-	-	-	-
Dividend from subsidiaries	-	-	-	-	385	-

Parties with significant influence include shareholders with holdings exceeding 20% of Saxo Bank A/S.

Board of Management is due to their significant ownership in Saxo Bank A/S through their holding companies included in Parties with significant influence.

Remuneration to Board of Directors and Board of Management is disclosed in note 9 Staff costs and administrative expenses in the consolidated financial statements.

Saxo Bank A/S has not provided any loans, pledges or guarantees to any member of Saxo Bank A/S' Board of Directors or Board of Management or to persons related to these.

All transactions and agreements with related parties are settled on an arms-length basis.



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010
<b>27</b>	<b>Contingent and contractual liabilities</b>		
	<b>Guarantees</b>		
	Financial guarantees	6,375	5,355
	Other guarantees	3,016	3,016
	<b>Total guarantees</b>	<b>9,391</b>	<b>8,371</b>
	<b>Contractual liabilities</b>		
	Rent commitments towards subsidiaries	620,972	649,599
	Other commitments	365,662	307,695
	<b>Contractual liabilities</b>	<b>986,634</b>	<b>957,294</b>

Of the Bank's bond holdings nominal EUR 433 million (2010: EUR 465 million), with a fair value of DKK 3.2 billion (2010: DKK 3.6 billion), are held in custody with institutions with full right of disposal for the Bank. The bonds serve as security for the Bank's ongoing financial business with the individual institution.

The actual demand for collateral varies from day to day with the development in the open positions and were in total 69% (2010: 53%) of the fair value of the bond holdings provided as security at 31 December 2011.

Of the Bank's deposits with investment brokers, banks and other credit institutions, DKK 265 million (2010: DKK 520 million) have likewise been provided as security for the Bank's ongoing financial business.

Related to the acquisitions Saxo Bank A/S has issued claims warrants with a strike price of DKK 1 to cover potential claims from the sellers of the acquired companies. The maximum number of shares is 486,601. As of 31 December 2011 there has been no actual claim.

Saxo Bank A/S has issued a letter of undertaking to the Monetary Authorities in Singapore concerning Saxo Capital Markets Pte. Ltd.

Saxo Bank A/S has agreed to support Saxo Jet A/S, Saxo Soft A/S, Saxo Properties A/S and I.I. Real Estate A/S with the liquidity necessary to support the approved budgets and plans up to and including 31 December 2012. Saxo Bank A/S has declared that it will support Saxo Privatbank A/S with a capital increase of up to DKK 40 million in 2012.

Saxo Bank A/S has guaranteed to participate in fund products offered by Saxo Invest, a Luxembourg based SICAV fund up to a maximum of DKK 60 million (2010: DKK 50 million).

Due to the business volume of the Bank, disputes with customers etc. occur from time to time. The Bank does not consider the outcome of the cases pending to have any material effect on the Bank's financial position.



## NOTES – SAXO BANK A/S

### Note

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#### 28 Risk Management

##### **Risk exposure**

Saxo Bank A/S is exposed to a number of risks which can be categorised as follows:

- Credit risk: The risk of loss due to that counterparties of the Bank fail to fulfill their agreed obligations
- Market risk: The risk of loss due to movements in market risk factors
- Liquidity risk: The risk of being unable to meet obligations as they fall due
- Operational risk: The risk of loss resulting from inadequate or failed processes, people or systems

The risk exposures, policies and procedures to monitor the risks for Saxo Bank A/S are the same as for the Group and are described in Risk Management for the Group.

Market and credit risk related to derivative financial instruments is disclosed in Risk Management for the Group. Derivative financial instruments relates to trading portfolio and are included in Other assets and Other liabilities.

The Management's Report and Risk Report 2011 provide additional information about Saxo Bank A/S' risk management approach. Risk Report 2011 is available for download from the Group's website at [www.saxoworld.com/investorrelations/icaap-and-risk-reports](http://www.saxoworld.com/investorrelations/icaap-and-risk-reports). The Risk Report is not covered by the statutory audit.



## NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2011	2010	2009	2008	2007
<b>29</b>	<b>Key figures and ratios</b>					
	<b>Key figures</b>					
	Net interest, fees and commissions	(10,195)	(158,086)	(150,669)	(494,037)	(215,816)
	Price and exchange rate adjustments	2,684,750	2,670,291	1,895,450	2,491,362	1,634,605
	Staff costs and administrative expenses	(1,768,858)	(1,750,222)	(1,443,613)	(1,622,597)	(1,071,557)
	Impairment charges for receivables, loans, advances etc.	(31,041)	(6,521)	(43,474)	(52,677)	(3,062)
	Income from subsidiaries and associates	43,670	238,580	118,805	192,267	59,631
	Net profit	618,548	643,874	201,586	339,217	275,249
	Loans and advances at amortised cost	404,004	249,914	176,660	109,503	168,965
	Subordinated debt	408,933	409,962	409,283	409,362	410,031
	Total equity	3,222,835	2,870,157	2,324,983	1,416,721	1,093,051
	Total assets	20,594,106	17,244,965	13,903,351	9,961,457	9,028,629
	Average number of employees	732	629	695	939	868
	<b>Ratios</b>					
	Solvency ratio	13.9%	16.6%	22.0%	18.0%	20.0%
	Tier 1 capital ratio	10.7%	13.7%	17.3%	12.1%	10.9%
	Return before tax on Total equity	27.8%	33.2%	13.6%	32.6%	46.0%
	Return after tax on Total equity	20.3%	24.8%	10.8%	27.0%	36.1%
	Income proportional to cost	1.43	1.45	1.16	1.23	1.32
	Interest rate risk	1.6%	11.1%	7.2%	1.5%	2.4%
	Foreign exchange rate risk / Tier 1 capital	219.2%	129.6%	104.8%	385.1%	436.9%
	Value at risk of foreign exchange rate risk / Tier 1 capital	6.4%	2.3%	2.2%	4.5%	5.0%
	Loans, advances and provisions / Deposits	3.4%	2.5%	2.0%	1.8%	2.7%
	Loans and advances proportional to Total equity	0.1	0.1	0.1	0.1	0.2
	Growth of Loans and advances	61.7%	41.5%	61.3%	(35.2)%	(3.4)%
	Additional liquidity / liquidity requirement	297.6%	300.8%	720.4%	687.4%	774.6%
	The total of large engagements / Capital Base	77.4%	19.9%	-	15.3%	16.1%
	Loss and provisions ratio (loans and advances)	10.5%	2.4%	3.5%	2.4%	1.7%

See page 123 for definitions.

Key figures and ratios are prepared in accordance with the Danish Financial Business Act.



## STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management have considered and approved the annual report for the financial year 2011 for Saxo Bank A/S.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the parent company's financial statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2011 and of the results of the Group's and the

Parent Company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2011.

Moreover, in our opinion, the Management's Report and Operational Review include a fair review of developments in the Group's and the Parent Company's operations and financial position and describe the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The 2011 annual report is submitted for the approval of the annual general meeting.

Copenhagen, 8 March 2012

### BOARD OF MANAGEMENT

Lars Seier Christensen  
Co-CEO and Co-founder

Kim Fournais  
Co-CEO and Co-founder

### BOARD OF DIRECTORS

Kurt K. Larsen  
Chairman of the Board

Dennis Malamatinas  
Vice Chairman of the Board

Asiff S. Hirji

Thomas Plenborg

Karl I. Peterson



## STATEMENT BY THE INDEPENDENT AUDITOR

### TO THE SHAREHOLDERS OF SAXO BANK A/S

#### **Independent auditors' report on the consolidated financial statements and the parent company financial statements**

We have audited the consolidated financial statements, page 50-123, and the parent company financial statements of Saxo Bank A/S, page 126-147, for the financial year 1 January – 31 December 2011. The consolidated financial statements and parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of capital base and notes, including a summary of significant accounting policies for the Group as well as for the parent company and cash flow statement - Saxo Bank Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

#### **Management's responsibility for the consolidated financial statements and the parent company financial statements**

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Business Act (the parent company financial statements) and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical require-

ments and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

#### **Opinion**

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2011 and of the results of the Group's and the parent company's operations and cash flows - Saxo Bank Group for the financial year 1 Jan-



## STATEMENT BY THE INDEPENDENT AUDITOR

uary – 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent company financial statements.

### **Statement on the Management's review**

Pursuant to the Danish Financial Business Act, we have read the Management's review (Management's Report

and Operational Review). We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review (Management's Report and Operational Review) is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 8 March 2012

KPMG

Statsautoriseret Revisionspartnerselskab

Lars Rhod Søndergaard  
State Authorised  
Public Accountant

Anders Duedahl-Olesen  
State Authorised  
Public Accountant





A man in a white shirt and hat is working in a hat-making workshop. The walls are covered with numerous hats in various stages of production. The man is standing in the lower right corner, looking towards the camera. The workshop is filled with hats, some hanging from the ceiling and others on shelves. The lighting is warm and focused on the man and the hats.

20:15 Panama

01:15 United Kingdom

02:15 Belgium, Czech Republic, Denmark, France,

03:15 Greece, Cyprus, South Africa

05:15 Dubai, Russia

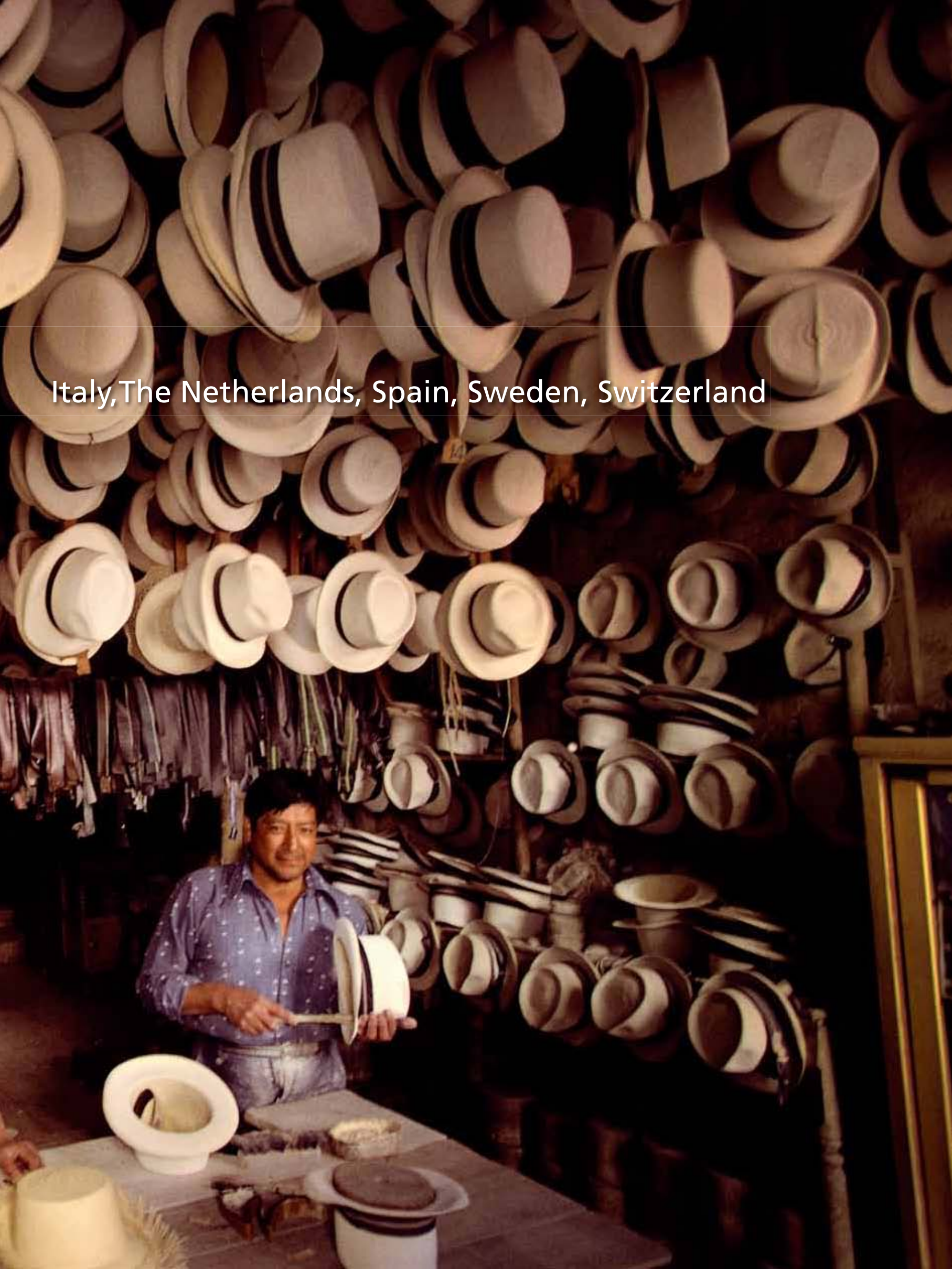
06:45 India

09:15 Hong Kong, Singapore

10:15 Japan

12:15 Australia

Italy, The Netherlands, Spain, Sweden, Switzerland





# COMPANY INFORMATION



## BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

Management and Directorships held by the Board of Directors and the Board of Management in companies excluding positions in the Group's subsidiaries (Chairman (CM), Board member (BM), Chief Executive Officer (CEO)).

### BOARD OF DIRECTORS

#### **Kurt K. Larsen - Chairman of the Board**

Polaris III Invest Fonden (CM)  
DSV A/S (CM)  
Ove Wrist & Co. A/S (BM)

#### **Dennis Malamatinas - Vice Chairman of the Board**

Olympic Air (CM)  
SSP Group Limited (BM)  
Celio International S.A. (BM)  
Classic Fine Foods Ltd. (BM)  
MidOcean Partners (BM)  
Vivartia Holding S.A. (BM)

#### **Asiff S. Hirji - Member of the Board**

TPG Capital, L.P. (Partner)  
Citrix Systems (BM)  
Decision Insights (BM)  
Primedia (BM)  
Advent Software (BM)

#### **Karl I. Peterson - Member of the Board**

TPG Capital LLP London (President)  
Caesars Entertainment Corporation (BM)  
Sabre Holdings Corporation (BM)  
NCL Corporation Ltd. (BM)

#### **Thomas Plenborg - Member of the Board**

Independent member of the audit committee with qualifications within accounting  
Everyday Luxury Feeling A/S (CM)  
Rosemundede ApS (CM)  
COWI A/S (BM)  
COWI Holding ApS (BM)  
DSV A/S (BM)  
JFE Holding ApS (CEO)

### BOARD OF MANAGEMENT

#### **Lars Seier Christensen - Co-CEO and Co-founder**

Lars Seier Christensen Holding A/S (CEO & BM)  
ClubSuperCar A/S (CM)

#### **Kim Fournais - Co-CEO and Co-founder**

Fournais Holding A/S (CEO & BM)  
Vejrø ApS (CM)  
Bluecom A/S (CM)  
Fournais Aviation ApS (CEO)



## SAXO BANK IN BRIEF

Saxo Bank is a fully licensed and regulated European bank established in 1992 and headquartered in Tuborg Harbour in Hellerup, close to Copenhagen.

Saxo Bank, a specialist in trading and investment, provides a wide range of products, services and platforms, giving private clients, institutions, White Label Clients and brokers instant and reliable access to financial markets.

Saxo Bank has been expanding geographically since 2006 and today is present in 21 countries covering the world's major financial centres, including London, Zurich, Dubai, Tokyo, Singapore, Hong Kong and Paris. Saxo Bank's financial expertise is derived from the Bank's employees, who come from over 70 different countries and serve a client base spanning more than 180 countries.

Saxo Bank has developed a number of specialised trading platforms, including the browser-based SaxoWebTrader, the downloadable SaxoTrader and the SaxoMobileTrader for mobile phones. Saxo Bank's trading platforms are not only offered to retail clients but also to Introducing Brokers and financial institutions. They are also rebranded and customised for White Label business. Saxo Bank's platforms have constantly evolved to meet the changing needs of traders and investors, winning an array of awards from industry publications such as Euromoney, FX Week and Shares magazine in recognition of their innovative tools and range of products.

In addition to FX, Saxo Bank offers online trading access to over 13,000 stocks from more than 25 exchanges worldwide, as well as more than 7,000 CFDs, over 130 online futures contracts and contract options on futures and cash indices. Saxo Bank also offers over 1,500 investment funds as ETFs. Going forward, Saxo Bank plans to launch additional new products and services enabling clients to explore opportunities in global markets.

The key driver in the business structure remains the Bank's technological capabilities across all business areas. Embracing the latest information technology and developing innovative trading solutions not only benefits clients by making trading more efficient but also keeps Saxo Bank at the forefront of an ever-changing industry.

In recent years, the strategic direction of Saxo Bank has been focused on broadening and diversifying its product and service offerings to reach a wider client audience. This goes hand in hand with the objective to tailor offerings directly to the needs of clients. Saxo Asset Management was launched in 2009 to cater to institutional and High Net Worth investors through professional portfolio management services and a dedicated advisory business. Saxo Properties, part of Saxo Asset Management since 2010, offers handpicked Copenhagen real estate, including residential, retail and office rental properties, through closed-ended funds aimed at High Net Worth and institutional clients. Finally, Saxo Privatbank, launched in 2011, provides a full banking concept in Denmark with branches, bank accounts, advisory services, online banking and tools which clients can use to manage their own investments and pensions.

TPG Capital, one of the world's leading investment firms, owns 30% of Saxo Bank, while Fournais Holding A/S and Lars Seier Christensen Holding A/S each own 29.95% of the Bank. The remaining shares are mainly held by a number of current and former employees of the Bank.

Upholding and protecting basic standards such as freedom of speech, freedom of religion and property rights, as well as freedom of association and the recognition of the right to collective bargaining, is an integrated part of Saxo Bank's value system. Over the years, the Bank has lived up to its beliefs by funding organisations, books and other initiatives promoting the principles of limited government, free markets and human rights.



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