2016

SAXO BANK

ANNUAL REPORT
2016

SAXO BANK

SAXO BANK AT A GLANCE

Saxo Bank is a leading trading, investment and technology company, supporting an international client base from our headquarters in Copenhagen and offices in financial centres around the world including London, Singapore, Paris, Zurich, Dubai, Sydney and Tokyo.

Established in 1992, Saxo Bank was one of the first financial institutions to develop an online trading platform that provided private investors with the same tools and market access as professional traders, large institutions and fund managers. Saxo Bank's vision has always been to democratise investment and trading and to facilitate multi-asset trading by providing access to global financial markets, cutting-edge technologies, and industry-leading expertise.

As a fully licensed and regulated bank under supervision of the Danish FSA, Saxo Bank offers private investors and institutional clients a complete set of tools for implementing their trading and investment strategies. We enable clients to trade FX, CFDs, ETFs, stocks, bonds, futures, options and other derivatives via SaxoTraderGO, our award-winning trading platform that allows seamless transition between desktop and mobile devices.

28 languages

SAXO BANK

FOUNDED **1992**

38.4 million trades executed in 2016

Clients spanning over **180** countries

More than **75** industry awards for our trading platforms

More than **35,000** tradable instruments

1,639 employees with **60** nationalities across offices in **18** countries

AUSTRALIA · BRAZIL · CHINA · CYPRUS · CZECH REPUBLIC · DENMARK · FRANCE · HONG KONG · INDIA · ITALY · JAPAN · NETHERLANDS · SINGAPORE · SOUTH AFRICA · SWITZERLAND · TURKEY · UNITED ARAB EMIRATES · UNITED KINGDOM

Additionally, Saxo Bank offers managed investment portfolios and discretionary trading services via the growing SaxoSelect range.

Saxo Bank's discretionary services and trading platforms are offered not only to retail clients, but also to other financial institutions. For example, the platforms are white-labelled by more than 100 financial institutions worldwide. Lastly, Saxo Bank also offers professional fund management and traditional banking services through Saxo Privatbank in Denmark.

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Among the awards Saxo Bank was honoured with in 2016 were two awards from Finance Magnates: one for 'Best Forex Broker 2016' and one for 'Best Prime of Prime/Retail Liquidity Provider 2016'

REVIEW OF 2016

MANAGEMENT REPORT

Saxo Bank Group reported a positive net profit of DKK 302 million for 2016 compared to a net loss of DKK 645 million for 2015.

The Board of Directors and Board of Management find the result for the year acceptable given the difficult market conditions.

The inflow of clients' collateral from new and existing clients continued successfully in 2016, as clients' collateral deposits increased by DKK 15 billion to DKK 92 billion by the end of 2016.

The Bank had a positive start to 2016 with some market volatility and general high trading volumes during the first months. But from then on, market volatility was very low and trading volumes came down as markets stagnated before the UK EU referendum on 23 June 2016. In the final week of June and early July, high trading activity materialised as a consequence of the increased volatility given the result of the referendum. Post-Brexit market volatility and general trading volumes were impacted by the US election as markets slowed down prior to the election on 8 November 2016. In the weeks following the election, high trading activity occurred as a consequence of the increased volatility given the result of the election.

Throughout 2016, the focus has been on driving profitable growth and broader client bases through improving both product offerings and our trading platforms. During the year, Saxo Bank has continued to invest within the core business areas in order to improve the future product offering, enabling the Bank to be competitive and continue to offer good trading possibilities for the clients.

With a clear focus on retaining existing and attracting new clients combined with the above-mentioned market volatility and trading activity operating income for the Group reached DKK 2.9 billion.

Cost continued to be a main focus area in 2016 and has been managed carefully. The cost/income ratio for the Bank's recurring core business decreased from some 67% in 2015 to 64% in 2016.

FINANCIAL HIGHLIGHTS · SAXO BANK GROUP

(DKK million)	2016	2015[1]	2014	2013	2012
Operating income	2,929.7	2,126.7	3,006.8	2,861.0	2,966.4
EBITDA	845.2	(109.4)	1,099.0	898.0	605.9
Adjusted EBITDA	954.5	864.7	1,208.1	1,223.3	724.8
Profit before tax	418.2	(778.4)	564.8	247.4	152.0
Net profit	302.4	(644.6)	381.2	162.2	80.9
Total equity	4,238.4	3,938.4	4,225.2	3,492.7	3,364.5
Total assets	43,578.5	33,501.6	36,008.3	27,746.2	25,623.2
Clients' collateral deposits	92,349.9	77,568.0	68,227.2	50,644.0	40,199.0
Assets under management (Wealth management)	13,314.1	14,227.0	14,101.9	12,845.9	14,633.8
Total capital ratio	19.5%	20.7%	19.7%	16.2%	13.5%
Return on equity before tax	10.2%	(19.1)%	14.6%	7.2%	4.6%
Full-time-equivalent staff (end of year)	1,639	1,516	1,485	1,406	1,480
Hereof employed in India	462	346	324	280	206

[1] Please note that the numbers for 2015 include the effect of the Swiss event.

See definitions on page 100 and 102.

Staff costs and administrative expenses amounted to DKK 2.1 billion, equivalent to a decrease of 9% compared to 2015. The decrease is primarily attributable to lower spend on marketing related to sponsorships etc., general lower spend on salaries and decreasing legal expenses.

Impairment charges on loans and receivables etc. were DKK 97 million, primarily relating to the subsidiary Saxo Privatbank A/S.

The continued increase in clients' collateral deposits to DKK 92 billion shows the strength of the business model and is a clear sign of trust and confidence in the Bank.

STRATEGIC DIRECTIONS

Saxo Bank's strategy is founded on a vision of democratising trading and investment, and providing unparalleled access to global financial markets anytime, anywhere. The Bank's goal is to become the most professional and profitable facilitator in global capital markets, disrupting traditional business models and adding significant value for Saxo Bank's clients. With a heritage of more than 20 years as a disruptive technology provider in capital markets, Saxo Bank is in a good position to realise its vision and reach its goal. Innovative technology is a fundamental part of the Bank's DNA.

Saxo Bank's multi-asset product offering has been expanded continuously and the Bank's trading platforms have evolved to become some of the most advanced and widely recognised in the industry. Saxo Bank will continue pioneering innovative solutions and utilising the newest technologies to enable today's investors, traders and wholesale clients to trade multiple assets and instruments in the global financial markets seamlessly on any device.

Saxo Bank's technology stack and operational platform combined with the business procedures supporting them hold the potential to cater for the needs of a broad range of investors, traders and wholesale clients. Our HTML5-based trading platform allows for different user experiences (various degrees of convenience, advanced functionality, control and overview). We stand out from our peers due to our truly multi-asset capabilities, our global market access, our one account/one platform offering as well as our professional client service.

The online trading industry is characterised by immense potential economies of scale, where volumes can double, triple, quadruple or even more with only marginal impact on operating costs. With Saxo Bank's multi-asset platforms and our global markets access, we are in a good position to harvest the benefits from the economics of scale. However, to gain scale it is paramount to be able to attract new clients more efficiently. Saxo Bank follows two distribution approaches;

1. Direct to clients via own digital marketing and relationship-based sales (direct sales/B2C).

2. Indirect to clients via co-branding or white label partnerships with other financial institutions (wholesale solution sales/B2B).

We see the two distribution approaches as supporting each other. Our status as a regulated entity combined with our sizeable number of direct clients (B2C) makes us a trusted and reliable partner for other financial service providers and it makes us stand out from common technology providers. On the other hand, the substantial number of indirect clients (B2B2C) we can achieve via partnerships is paramount to gain scale, and hence be efficient and competitive towards our direct clients.

AWARDS

Saxo Bank and its platforms and technology received widespread industry recognition in 2016. Saxo Bank received the 'Best Prime of Prime Broker/Retail Liquidity Provider' as well as the 'Best Forex Broker' award at the industry-voted Finance Magnates London Summit for the fourth time. In September, Saxo Bank was named 'Best Overall Boutique Prime Broker' at the HFM Awards in Hong Kong. In March, Saxo Bank won the 'Game Changer' award at the Danish Digital Awards in Copenhagen for the SaxoTrader-GO platform, which was recognised for both future-proofing a vital product and raising the bar for the entire industry.

SOCIAL CONTRIBUTION

Saxo Bank's social responsibility is driven by the overarching goal of creating value through win-win relations with clients, partners, employees and societies in the countries in which Saxo Bank operates.

Saxo Bank was one of the first financial institutions to develop an online trading platform that provided ordinary investors with the same tools and market access as professional traders and fund managers. Today, Saxo Bank's aim is still to continue to democratise the financial industry by facilitating access to global financial markets and cutting-edge technologies.

Saxo Bank considers any company's core products and services adding value to partners and clients its main social contribution. For Saxo Bank, this means our work to level the playing field between institutions and retail investors when it comes to accessing financial markets and offering clients transparent, reliable and competitive access to global financial markets.

Employees and Human rights

Saxo Bank has a key focus on securing the best talent regardless of gender, religion, ethnicity or nationality. As of 31 December 2016, Saxo Bank employs 1,639 employees, including 749 in Denmark. Throughout the organisation, we encourage diversity and Saxo Bank Group employs 60 different nationalities as we recognise that employee diversity brings important business benefits, among them, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent, which are all key for the Bank in order to service clients in more than 180 countries.

Saxo Bank complies with collective agreements and human rights across all its offices. This situation has not changed in 2016 and no specific initiatives in the area have been implemented in the course of 2016.

Saxo Bank has a general aim of increasing the number of women in senior management and management positions and has implemented a gender diversity policy and gender composition targets for the Board of Directors, senior management and other management levels:

Targets	Men	Women
Board of Directors	80%	20%
Board of Management	No targets	
Executive Team and Senior Management	80%	20%
Other employee titles with management responsibilities	70%	30%

The proportion of the underrepresented gender does not meet the targets and therefore remains a focus area. Through hiring, internal training and development and career advancement opportunities, the Bank is actively working to meet the targets by the time of the Annual Report's approval for the 2018 financial year.

Tax

Saxo Bank is established and has headquarters in Denmark and most of its employees are in Denmark, why a large part of Saxo Bank's social contribution is in Denmark. An important component of this social contribution are taxes and other duties, which are incurred directly and also indirectly where taxes are collected by Saxo Bank on behalf of governments, e.g. payroll taxes. Corporate taxes are only a limited part of the total taxes and duties paid.

In addition to the total tax contribution, Saxo Bank contributed indirectly through purchases of services, goods etc. from vendors, which again contributes through their employees, purchases and direct and indirect taxes etc.

TELLING THE SAXO STORY

– Let's change the way we invest

Launch of new creative concept and marketing campaign

Established in 1992, Saxo Bank was one of the first companies to develop an online trading platform that provided private investors with the same tools and market access as professional traders and fund managers. Since then, our vision has always been to enable and to democratise investment and trading by giving access to financial markets, cutting-edge technologies and industry-leading expertise.

We are proud of our history. Having been a "FinTech" before the terms was even coined, we want to highlight the many improvements and changes digitisation has delivered – not only for financial services but for society as whole. We want to tell the Saxo story and make sure that more people are aware of the opportunities technology has created for them - in financial markets and beyond.

Our concept highlights the benefits people have gained from technological innovations in other industries and relates these benefits to the world of trading and investing. The concept leverages everyday situations where new technologies have empowered people to do things that previously were not possible. We do this by portraying simple, relatable examples of recent technological disruptions that people have already adapted to and linking them to what we are doing in our industry – providing the technology, tools and access that enable more people to participate in global financial markets. Essentially, changing the way people invest.

The first global marketing campaign to use the new concept was launched in September 2016. It was focused on SaxoTraderGO and some of the major product launches of 2016, including SaxoSelect and our digital bonds offering.

REGULATORY ENVIRONMENT

Saxo Bank A/S is required to comply with Danish regulation and EU regulation on Bank level and Group level. In addition, some of the Group's subsidiaries are financial entities and are required to comply with local regulatory requirements. Changes in supervision and regulation could potentially materially affect the Group's business, the products and services offered or the value of its assets.

A list of the Bank's subsidiaries can be found in Note 35 in the consolidated financial statements. Description of Saxo Bank's legal, management and organisational structure is also available at www.home.saxo/about-us/investor-relations.

EMIR

The European Market Infrastructure Regulation (EMIR) has been applicable since 2012. The Group is required to report derivatives transactions, clear certain standardised derivatives with an approved central counterparty (CCP), and fulfil certain requirements related to risk management and credit risk mitigation (margin requirements inter alia) for derivatives not cleared with a central counterparty.

The Group's current OTC-traded derivatives are not cleared by a CCP. The Group is required to exchange regulatory Variation Margin from March 2017 with counterparties subject to the same regulation. The Group does not expect to be subject to exchange of Initial Margin the first years of the phase-in period. No economic and only an insignificant effect on the liquidity of the Group is expected from the implementation of the upcoming EMIR regulation.

MIFID II and MIFIR

The Markets in Financial Instruments Directive (MiFID II) and the Regulation on Markets in Financial Instruments (MiFIR) will be fully applicable from January 2018. MiFID II includes provisions on trading in certain standardised OTC products, enhanced investor protection and transparency regulation, corporate governance and other operational requirements, as well as record keeping and the use of algorithmic trading.

Anti-Money Laundering

The Fourth Directive on the Prevention of the use of the Financial System for the Purpose of Money Laundering and Terrorist Financing, and Regulation on Information Accompanying Transfers of Funds, was adopted by the European Council and European Parliament in May 2015 and will be applicable from June 2017. The implication for Saxo Bank is not expected to be significant.

Tax crimes have been added as a predicate offence and domestic politically exposed persons are now covered by the directive, which broadens the scope of the directive. The impact for Saxo Bank is currently being analysed.

The regulation adds information on the payee to the information that has to follow a transaction.

Resolution and Recovery of banks

All member states in the EU have to apply a single rulebook for the resolution of banks and large investment firms, as prescribed by the Bank Recovery and Resolution Directive (BRRD). The directive was implemented in Danish law in 2015.

These rules harmonise and improve the tools for dealing with bank crises across the EU. The aim is to ensure that shareholders and creditors of banks will pay their share of the costs through a "bail-in" mechanism.

A Danish resolution fund has been established where Danish credit institutions including Saxo Bank A/S and Saxo Privatbank A/S have to contribute on the basis of the credit institutions' individual balances and risk exposures relative to other credit institutions. In 2016, the Group paid in total DKK 3.1 million. In addition, the Group is required to pay to other resolution funds in other jurisdictions.

The implementation of BRRD broadens the power of national authorities to intervene and prevent banks from failing, while it requires banks themselves to prepare recovery plans including strategic objectives in critical situations. National authorities have the power to implement resolution plans to resolve failed banks.

To avoid institutions structuring their liabilities in a way that impedes the effectiveness of the bail-in or other resolution tools and to avoid the risk of contagion or a bank run, the BRRD requires that institutions at all times meet a robust minimum requirement of capital and eligible liabilities (the so-called MREL). It is expected that institutions will have adequate time to meet this new requirement. It is expected that MREL for Danish banks will be set in 2017.

Deposit Guarantee Schemes

In Denmark and other jurisdictions, Deposit Guarantee Schemes and similar funds have been implemented from which compensation for deposits may become payable to customers of financial services firms in the event of a financial services firm being unable to pay, or unlikely to pay, claims against it. In Denmark the deposit guarantee scheme fund "Garantiformuen" is regulated under the Danish implementation of the Deposit Guarantee Scheme Directive (DGSD). Currently, Garantiformuen is fully funded. In addition, the Group is required to pay to other Guarantee Schemes in other jurisdictions.

Accounting standards (IFRS)

The Group adopts new standards and amendments when they become mandatory in EU.

1 January 2018, the Group will implement 'IFRS 9 Financial Instruments'. The main impact of the standard is determined to be related to the introduction of an expected credit loss impairment model that will require earlier recognition of expected credit losses. Specifically, the standard requires the Group to account for 12-month expected credit losses at the initial recognition of a financial instrument and to make an earlier recognition of lifetime expected credit losses.

The analysis of the expected impact of the implementation of IFRS 9 has not yet been completed.

EU Tax regulations plans

In October 2015, OECD released its final reports to the Base Erosion and Profit Shifting (BEPS) action plan. The BEPS project was initiated to fight tax avoidance by ensuring that profits are taxed where the economic activities generating the profits are performed and value is created. Though some elements of the action plan are still being finalised, the implementation of the measures immediately applicable has begun in participating countries.

The discussion about a European Financial Transaction Tax (FTT) has been ongoing for years at varying levels of intensity. In October 2016, 10 member states reached agreement on some central aspects of the FTT and the Commission was tasked to draft a new FTT proposal along those agreed elements. Many elements and details are yet to be agreed and therefore the future of the FTT and the impact on the Group remains uncertain.

The Common Reporting Standard ("CRS") is an OECD lead initiative to improve international tax compliance in the context of the global move towards greater tax transparency. CRS is OECD's version of FATCA and requires enhanced customer due diligence procedure and reporting of relevant data regarding the customers. CRS sets forth a global standard that obligates financial institutions to annually report financial information to the local authorities on clients who are not resident for tax purposes in the jurisdiction of the financial institution or have a dual tax residency. CRS became effective on 1 January 2016 with the first reporting taking place in 2017.

CRR and CRD IV

The Fourth edition of the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) were applicable from the beginning of 2014, with some planned future developments over several years. This regulation should ensure that the Basel III international standards for banks are fully adhered to in all member states in the EU, including Denmark.

CRD IV and CRR is a single set of prudential rules for banks across the EU.

CRD IV defines the overall supervisory framework for banks (including the individual risk assessment) and other measures such as the combined capital buffer requirements, governance and remuneration requirements.

CRD IV came into force through implementation in the Danish regulation.

CRR covers a wide range of requirements for banks across EU member states, including capital requirements, definitions of capital, risk exposure amounts, leverage ratio, large exposure and liquidity requirements. CRR applies directly to all credit institutions in the EU and does not, unlike the directive, require national implementation in the form of national law.

In November 2016, the EU Commission issued a proposed EU package of banking reforms including amendments to CRR and CRD IV. The proposed change to CRR includes large changes in the calculation of risk exposure amounts regarding market risk and counterparty credit risk.

In addition to CRD IV and CRR, the EU has issued several Commission Delegated Acts, Commission Implementation Acts, Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS), which are applicable for the Bank and the Group.

Capital Requirements

CRD IV and CRR require the Group to monitor and report capital requirements and buffers. Saxo Bank will, over time, be required to set aside more and higher quality capital as a cushion against events with a negative capital impact.

Saxo Bank is required to hold a "capital conservation buffer" to absorb losses and protect the capital, and a "countercyclical capital buffer" to ensure that in times of economic growth, the Group accumulates a sufficient capital base to enable it to continue its operations under adverse conditions. In addition, member states may decide to require additional buffers. If the Bank does not maintain these buffers, restrictions will be placed on its ability to pay dividend until the buffer-requirements are sufficiently met.

In Denmark, the "capital conservation buffer" started to be phased in from 2016 starting at 0.625% of risk exposure amount to 2.5% of risk exposure amount in 2019. In 2017, the buffer requirement will be 1.25%.

The "countercyclical capital buffer" was applied from 2015 and is dependent on the potential national introduction of the countercyclical buffers. This may affect the Group's capital ratios, if the buffer requirement is activated in jurisdictions where the Group has exposures. However, only a few countries have currently set a countercyclical buffer. As of 31 December 2016, no countercyclical capital buffer requirement was set in Denmark.

Specification on the Bank's and the Group's capital statement, capital instruments, current capital requirements and capital buffers are disclosed in the unaudited Risk Report 2016 and the quarterly ICAAP Q4 2016 Report. The reports are available at www.home.saxo/about-us/investor-relations.

Leverage ratio

CRD IV and CRR require Saxo Bank and the Group to report and monitor their leverage ratios. The leverage ratio is defined as Tier 1 capital divided by a non-risk-based measure of an institution's on- and off-balance sheet items (the "exposure measure"). The leverage ratio is currently assessed under Pillar II (ICAAP requirement). Leverage Ratio is planned to be a 3% binding requirement in 2018; exact timing and potential transition rules will be decided by the EU.

Specifications on the Bank's and the Group's leverage ratios are disclosed in the unaudited Risk Report 2016 and are available at www.home.saxo/about-us/investor-relations.

Liquidity Requirements

CRR defines two liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR stipulates that banks must have a liquidity buffer that ensures a survival horizon of at least 30 calendar days in a stressed liquidity scenario. The NSFR is intended to ensure a sound funding structure by promoting an increase in long-term funding. In addition, CRR and guidelines from EBA require Saxo Bank to monitor, report and disclose Asset Encumbrance.

The Danish implementation of transition rules on the LCR ratio includes a phasing-in of the minimum requirement with 70% in 2016, 80% in 2017 and 100% from 2018. The LCR ratio is defined as High Quality Liquid Assets (HQLA) divided by net cash outflows calculated in stressed conditions over a 30-day period.

The introduction of final standards approved by the EU may have an impact on the calculated LCR. In addition, the DFSA plans to issue a change in the Danish Supervisory Diamond liquidity requirements in 2017 to align it with the LCR measure.

NSFR is planned to be phased to a binding requirement in 2018; exact timing and potential transition rules will be decided by the EU.

Specification on the Bank's and the Group's LCR, NSFR and Asset Encumbrance are disclosed in the unaudited Risk Report 2016 and are available at www.home.saxo/about-us/investor-relations.

Governance

CRD IV sets requirements concerning corporate governance arrangements and processes with the aim to ensure the effectiveness of risk oversight by Boards, improving the status of the risk management function and ensuring effective monitoring by supervisors of risk governance. The Group's current implementation of governance is disclosed in the unaudited Risk Report 2016 according to CRR.

Remuneration

According to CRD IV and Danish Legislation, the Group is required to implement a remuneration policy for staff members whose professional activities have material impact on the institution's risk profile. This policy shall ensure that remuneration is consistent with sound and effective risk management and provides an incentive for prudent and sustainable risk taking. Remuneration Regulation sets limits on the relationship between the variable (or bonus) component of remuneration and the fixed component (or salary), requirements to remuneration reporting and disclosure requirements. The Saxo Bank Remuneration Report for 2016 is available at www.home.saxo/about-us/investor-relations.

EU data protection reform

In May 2016, the EU Commission published the official texts on the Data Protection Regulation which will enter into force in May 2018. The regulation will enable people to better control their personal data and a Data Protection Directive for the police and criminal justice sector with the aim to ensure that the data of victims, witnesses and suspects of crimes are duly protected in the context of a criminal investigation or a law enforcement action.

Supervisory Diamond

The Danish FSA apply a number of specific risk indicators and threshold values to banks in Denmark, in a Supervisory Diamond. Saxo Bank A/S' compliance with the specific risk indicators is disclosed in the Supervisory Diamond Report which can be found at www.home.saxo/about-us/investor-relations.


SAXO BANK
SaxoTraderGO
Watchlists
Alerts
SaxoSelect
TRADING
NEWS & RESEARCH
ACCOUNT
Find Instrument
Discretionary Trading
14.48%
Defensive Portfolio (EUR)
4.29%
Commodity Focus
2.77%
Global StockPicker
24.13%
Balanced Portfolio (EUR)
1.03%
Aggressive Portfolio (EUR)
0.73%
Charts & Patterns
4.58%
Defensive Portfolio (GBP)
5.84%
Bulls & Bears
12.14%
SEE MORE
INVEST
Positions
Orders
Portfolios
Defensive Portfolio (EUR)
Status
Active
Account value
10,000.00 EUR
Return
n/a
MANAGE
STOP

SAXOSELECT

– A smart alternative to DIY investing

Saxo Bank launches end-to-end digital investment service for retail investors

In January 2016, Saxo Bank announced the launch of SaxoSelect - a fully digital and automated investment service that enables Saxo clients to conveniently invest in pre-selected investment strategies. This was a milestone for Saxo Bank as SaxoSelect represents the Bank's first offering tailored to private investors specifically looking for discretionarily managed long-term investment portfolios and alpha-generating trading strategies.

Building on Saxo Bank's technology stack, unique multi-asset capabilities and focus on transparent pricing, SaxoSelect is a unique digital wealth management offering set to disrupt the asset management sector that has been able to charge clients hefty fees for meagre performance for too long. SaxoSelect comes in the shape of discretionary managed accounts directly integrated in the client's real-time, fully transparent trading environment. Due to its integration in Saxo Bank's platforms, a fully digital end-to-end process and the elimination of cost-intensive middlemen, SaxoSelect offers true value to clients and represents a unique offering in our industry.

"By combining our leadership in trading technology with the expertise of selected strategy providers and industry-leading financial institutions such as BlackRock and Morningstar, we are shaping the future of how people invest."

– Kim Fournais, Saxo Bank's CEO and Co-founder

The SaxoSelect range offers three types of discretionary investment services:

- **SaxoSelect Balanced Portfolios** – Core investment portfolios with a long-term time horizon
- **SaxoSelect Equity Portfolios** – Higher-risk portfolios for capital growth over the long term
- **SaxoSelect Trading Strategies** – Highest-risk portfolios for investors seeking an expert trader to manage their account

FINANCIAL REVIEW

Saxo Bank Group reported a net profit of DKK 302 million for 2016 compared to a net loss of DKK 645 million for 2015. Clients' collateral deposits increased by DKK 15 billion to DKK 92 billion by the end of 2016.

2016 started positive with some market volatility and general high trading volumes during the first months. But from then on, market volatility was very low and trading volumes came down as markets stagnated before the UK EU referendum on 23 June 2016. In the final week of June and early July, high trading activity materialised as a consequence of the increased volatility given the result of the referendum. Post-Brexit market volatility and general trading volumes were impacted by the US election as markets slowed down prior to the election on 8 November 2016. In the weeks following the election, high trading activity occurred as a consequence of the increased volatility given the result of the election.

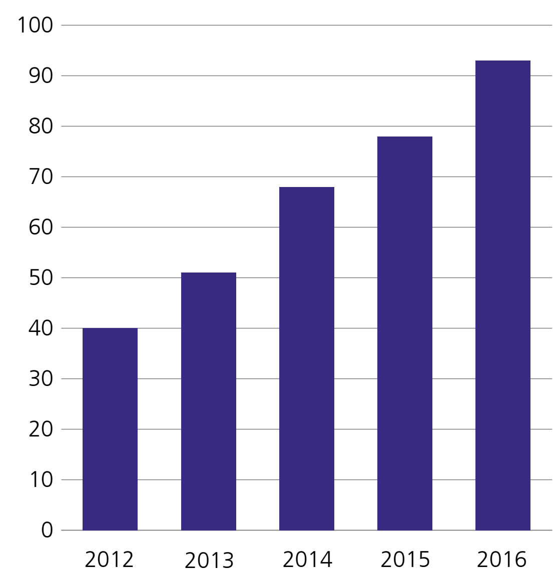
The operating income for the Group amounted to DKK 2.9 billion compared to DKK 2.1 billion in 2015. 2015 was highly impacted by the Swiss event 15 January 2015. EBITDA amounted to DKK 845 billion compared to negative DKK 109 billion in 2015. Adjusted for one-offs EBITDA increased with 10% to DKK 954 billion as of 31 December 2016.

Cost has been a main focus area in 2016 and has been managed carefully. Staff costs and administrative expenses amounted to DKK 2.1 billion, equivalent to a decrease of 9% compared to 2015. The savings were achieved through strong cost control which has materialised in lower spend on marketing cost related to sponsorships etc., lower spend on salary and less legal expenses.

Impairment charges on loans and receivables etc. were DKK 97 million, which primarily relates to lending in the subsidiary Saxo Privatbank A/S.

Depreciation and impairment charges amounted to DKK 351 million in 2016, which is a decrease of DKK 184 million compared to 2015, primarily due to extraordinary write-downs made in 2015 on developed software of DKK 84 million and impairment of goodwill amounting to DKK 55 million and a number of assets being fully depreciated.

Clients' collateral deposits 2012-2016
DKK billion



STATEMENT OF FINANCIAL POSITION

The continued increase in clients' collateral deposits of DKK 15 billion shows the strength of the business model. The cash inflow from clients' cash deposits is placed with counterparty banks as well as in bonds and other interest-bearing assets.

Trading assets are primarily comprised of bonds and derivative financial instruments with a positive fair value/unsettled spot transactions towards client trading.

Trading assets increased by DKK 6.8 billion to DKK 31.1 billion as of 31 December 2016 compared to 31 December 2015. The development is primarily due to an increased position in listed bonds and higher cash positions with the Danish central bank. Listed bonds increased with DKK 6.0 billion whereas derivative financial instruments increased with DKK 0.8 billion due to a higher level of open positions.

Total assets increased from DKK 33.5 billion as of 31 December 2015 to DKK 43.6 billion as of 31 December 2016, an increase of 30% primarily due to an increase in client deposits and general higher earnings, causing listed bonds to increase with DKK 6.0 billion as well as an increase of DKK 2.8 billion in cash in hand and demand deposits with central banks which is mainly due to acquired certificates of deposit.

Debt to credit institutions and central banks is DKK 4.2 billion above last year, mainly due the bonds acquired with trade day in 2016 but with settlement date in 2017.

Client deposits have increased with DKK 5.2 billion to DKK 27.9 billion as of 31 December 2016 from DKK 22.7 billion as of 31 December 2015. Subordinated debt decreased by DKK 145 million to DKK 529 million as of end 2016, mainly due to repayment made in December 2016.

Total Shareholders' equity increased by 8% in 2016 to DKK 3.85 billion as of 31 December 2016 compared to DKK 3.55 billion at the end of 2015.

The Total capital ratio for the Group decreased to 19.5% as of 31 December 2016 compared to 20.7% at the end of 2015, retaining a comfortable buffer compared to the capital requirement.

POST BALANCE SHEET EVENTS

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

OUTLOOK 2017

Saxo Bank expects that the global economy will continue to face some turmoil in the coming years as there are increased cross winds in the international economic and political environments which should translate to better conditions and opportunities for investors.

The currency market volatility is anticipated to increase, leading to higher trading activity by our clients.

Overall, Saxo Bank continues to find the market situation hard to predict with continued low visibility, and the situation remains uncertain until the effects of the continued roll-back of various quantitative easing programs, currently in effect, become clearer, including the effect of the program being rolled out by the European Central Bank, as well as the effects of Brexit, which will have an impact on the stability of the European market.

The US political climate following the presidential election on 8 November 2016 is also expected to impact the stability of the global financial markets. It is also expected that the forthcoming elections in France and Germany can have significant impact on the financial markets in 2017.

Saxo Bank will continue to focus on trading solutions and investment solutions for the clients. The focus remains on clients, efficiency, profitability and optimisation of the entire value chain. Further focus on White Label Business, Institutional Business, High Net Worth Private Business and Digital Business will continue.

Cost control, capital and liquidity management as well as risk management are, more than ever, ongoing themes for Saxo Bank in 2017. With a close eye on the overall cost development, Saxo Bank will continue to invest in products and platforms. At the same time, systems enhancements and knowledge upgrades are expected within the Bank's core business areas.

Saxo Bank is still confident that the Group has a solid foundation for its operations in 2017.

CAPITAL, ICAAP & ILAAP

Being based in an EU member state, the Saxo Bank Group is required to fulfil the requirements set out in CRD IV and CRR, which are based on the principles set out in Basel III.

As of 31 December 2016, the Common equity tier 1 capital (CET1), Tier 1 capital and Total capital amounted to DKK 2.30 billion, DKK 2.64 billion and DKK 3.01 billion. This corresponds to a Common equity tier 1 ratio, a Tier 1 capital ratio and a Total capital ratio for the Group of 14.9%, 17.1% and 19.5% respectively after inclusion of the total comprehensive income for the year. By the end of 2015, the corresponding ratios were 14.8%, 17.4% and 20.7% respectively.

The capital contribution of the subordinated debt issued by the Group before 2014 is gradually being phased out until the end of 2017, as they do not completely fulfil the requirements in the CRR and the Danish Transition Rules. The gradual reduction of subordinated debt does not affect the excess Common equity tier 1 capital. As of 31 December 2016, DKK 26 million of subordinated debt issued by the Bank under previous regulation is included in the Tier 2 capital.

The total risk exposure amounts of the Group was DKK 15.5 billion as of 31 December 2016 compared with DKK 13.0 billion as of 31 December 2015.

As of 31 December 2016, the Group's ICAAP showed a capital requirement of 12.2% of risk exposure amounts, equivalent to DKK 1.9 billion. The CET1 buffer was DKK 1.0 billion, corresponding to 6.4% of the risk exposure amounts.

The unaudited Risk Report 2016 and the ICAAP Q4 2016 Report provide additional information regarding the Bank's and the Group's Total capital (including regulatory capital disclosures), risk exposure amounts and capital requirements.

CRD IV and CRR require the Bank and the Group to monitor and report a short term Liquidity Coverage Ratio (LCR) and a long term Net Stable Funding Ratio (NSFR). In Denmark, LCR is phased in gradually as a new minimum liquidity requirement, meaning a gradual phase-in of 70% of the full requirement in 2016, 80% in 2017 and 100% in 2018. As of 31 December 2016, the Bank and the Group had a LCR of 147% and 160% respectively.

The Bank is required to hold liquidity at least equal to the current Internal Liquidity Adequacy Assessment Process (ILAAP) level as determined by the Board of Directors. This ILAAP level cannot be less than the current minimum regulatory requirements. The ILAAP is performed annually based on guidelines issued by the DFSA.

In the ILAAP per end of 2016, it is concluded that the Bank has a safe operational setup within the liquidity area and that the current level of liquidity is sufficient to uphold the Bank's operation and meet a prudent requirement under the LCR regime.

The unaudited Risk Report 2016 provides additional information regarding the Bank's and the Group's liquidity, the liquidity requirements and the ILAAP. The report is available at www.home.saxo/about-us/investor-relations.

CHANGES TO BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

There were no changes in the Board of Directors compared to 31 December 2015. The Board consists of Lone Fønss Schrøder, Chairman, Henrik Normann, Vice Chairman, Asiff Hiji, Wikawi Oei, Jacob Polny and Thomas Plenborg.

As of 1 January 2016, Søren Kyhl entered the Board of Management as COO. Besides Søren Kyhl, the Board consists of Kim Fournais, CEO and Steen Blaafalk, CF&RO.

OPERATIONAL REVIEW

PRODUCT DEVELOPMENT

Continuing development of Saxo Bank's multi-asset product offering is a key focus area. 2016 has seen some major developments to Saxo Bank's product range with the addition of SaxoSelect, a new investor offering, and a digital trading solution for bonds, a major new product line for Saxo Bank, as well as important enhancements to most of our existing product lines in order to keep them competitive.

In January, we launched SaxoSelect, which is Saxo Bank's first offering tailored to private investors specifically looking for discretionary managed long term investment portfolios and alpha-generating trading strategies. Investors can choose between two options:

•Automated Investment Portfolios built by Saxo Bank with iShares ETFs from BlackRock (choosing between a Defensive, Balanced and Aggressive portfolio)

•Fully automated Trading Strategies pre-selected by Saxo Bank. The trading strategies are managed by traders and investors with a successful track record. Current strategies are Discretionary Trading, Charts & Patterns, Commodity Focus and Global StockPicker.

Minimum investment for the Investment Portfolios is EUR 10,000 and EUR 20,000 for the Trading Strategies (investment currency may vary from strategy to strategy). The launch of SaxoSelect is a significant milestone for Saxo Bank as we will now offer a fully digital discretionary product for those unsure of how to invest their money.

In September, Saxo Bank announced a new partnership with Morningstar, a leading provider of independent investment research, which will expand the range of investment strategies available to clients via SaxoSelect.

In October, Saxo Bank introduced the world's first truly online bond trading solution, offering over 5,000 investment-grade, high-yield corporate and government bonds from around the globe. Orders are routed straight to an optimised dealer auction where the top-end of 40 liquidity providers competes for the orders. Minimum volumes for retail bonds are as low as USD 10,000 and clients can trade whenever markets are open. By leveraging this competitive environment in combination with our strong focus on technology, we are now able to offer a much easier and faster solution for bond traders.

Throughout the year, major enhancements to the FX product line were made, introducing order-driven trade execution to improve transparency, extend the breadth of our liquidity and improve the client's experience. Saxo Bank introduced a simpler tiered margin structure to improve transparency and volume price plans with spreads as low as 0.2 pips to make our FX pricing amongst the most competitive available. With the purpose to improve the competitiveness of stock and CFD trading, intra-day margins and fixed spreads were introduced on CFD index trackers, and volume trading plans have been introduced with commissions as low as 6 USD per trade. Likewise, Saxo Bank improved the risk framework and internal risk models with increased focus on daily monitoring of stock markets.

Saxo Bank has also made substantial additions to the Futures and Exchange Traded Option product lines this year including: Brent options, 10-year US Treasury Notes, Euro BONO (Spanish Government Futures), MSCI Word Index (EUR), VIX weekly options, European wheat futures, intermarket spreads on WTI/Brent and Wheat/Corn.

Saxo Bank now offers over 640 stock options on popular stocks across US, European and Asian markets.

TRADING PLATFORMS

Saxo Bank has made excellent progress in 2016 towards redefining our platforms around a common HTML5/Open API architecture, enhancing the SaxoTraderGO platform with major new features and making good progress on new platforms to serve other client segments. 2016 has also been a year of consolidation where three platforms were decommissioned: the MobileTrader and TabletTrader in January, and the WebTrader in November - all of them replaced by SaxoTraderGO.

SaxoTraderGO

The SaxoTraderGO platform has enjoyed huge success in 2016 with 78% of new clients choosing SaxoTraderGO which has already firmly established itself as the platform of choice for new clients. SaxoTraderGO now accounts for over 60% of the earnings from direct clients with, an impressive 42% of that coming through smartphones, emphasising the importance of our mobile trading offering.

As well as further improvements to speed and stability, many important enhancements have been added to SaxoTraderGO throughout 2016, including:

- Touch ID login for both iOS and Android devices
- Chat functionality allowing messaging and premium traders to chat directly with Sales Traders
- Option Chain for both FX Options and ETOs
- Chart enhancements including multi-screen support, many new studies and annotation tools
- Market Overview is now available, giving a comprehensive overview of global equity markets
- Major enhancements to reporting including P/L reports and performance monitoring tools

SaxoTrader

In December, Saxo Bank released a multi-legged order ticket allowing users to define and place contract option strategies on listed options.

PRIVATE BUSINESS

Saxo Bank continues its mission to enable active traders and investors to trade global markets across multiple asset classes from a single dashboard and have a clear view of their exposures across all asset classes in real-time.

Saxo Bank's focus on developing technology - compliant across multiple jurisdictions - and providing a seamless trading experience across devices meets evolving client expectations of a digital user experience within financial services. While active traders remain Saxo Bank's key priority, the Bank is also focusing on developing propositions for investors looking for tools to self-invest or automated investment management solutions. The launch of SaxoSelect in collaboration with Blackrock and Morningstar introduces a selection of curated investment portfolios and more active trading strategies selected by Saxo Bank where clients retain complete control of their investments in a fully transparent environment.

INSTITUTIONAL BUSINESS

During 2016, Saxo Bank continued to attract a diverse range of institutional clients including family offices, asset managers and hedge funds. Saxo Bank enables these institutions to achieve greater transparency, risk management and multi-asset reach.

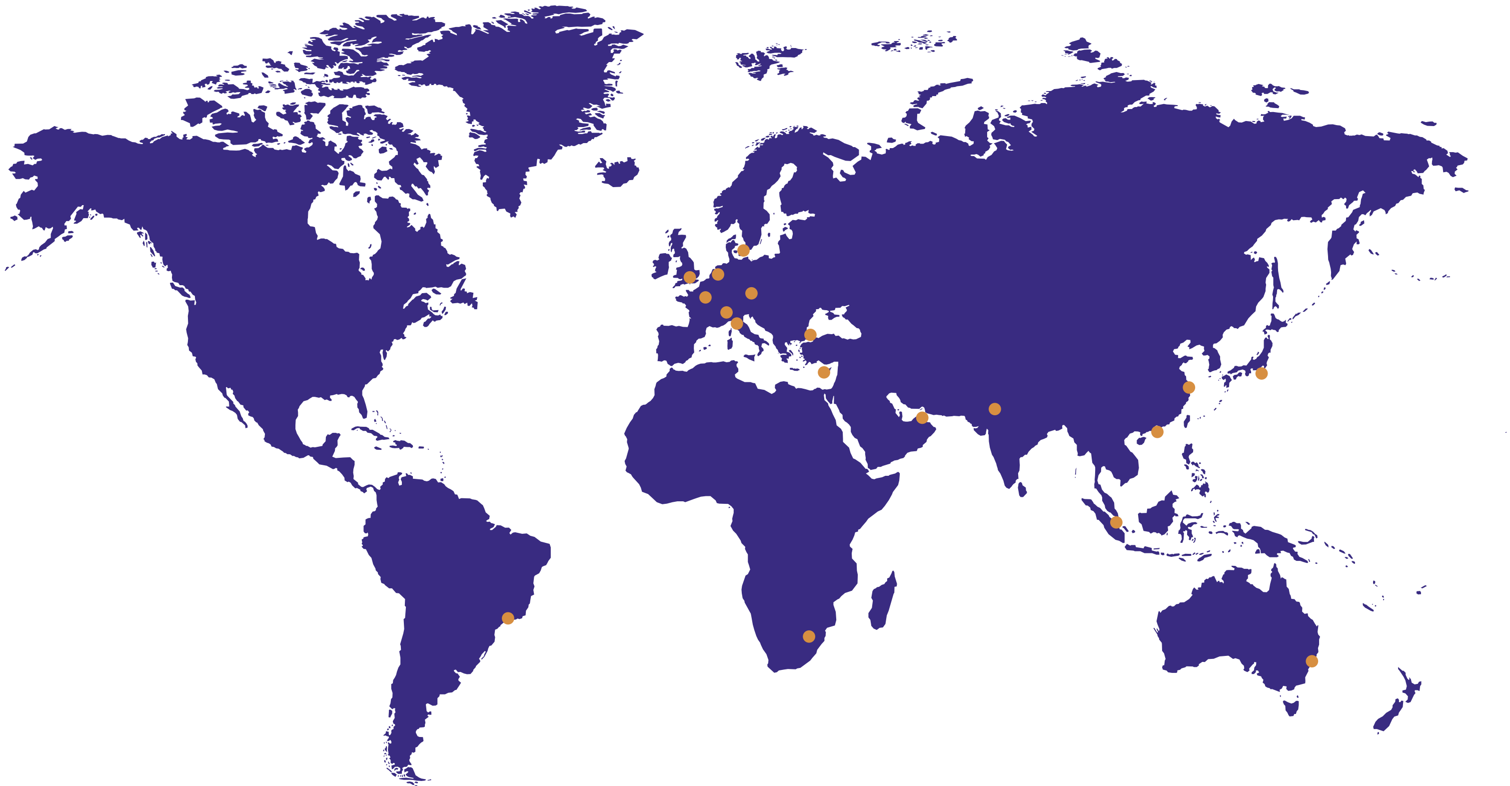
The institutional offering combines execution, prime brokerage, liquidity optimisation and post-trade services. This product offering is supplemented by 24/5.5 dedicated sales trading support.

In 2016, Saxo Bank continued to gain market share in the FX Prime Brokerage arena amidst continued industry consolidation. The Bank is recognised for how its technology capabilities help smaller players access liquidity with enhanced credit risk controls. Saxo Bank achieved significant recognition to this effect, including 'Best overall boutique prime broker' at the HFM Asia Hedge Fund Services Awards, 'Best Prime of Prime Broker Provider' from FX week and 'Best FX Broker' and 'Best Prime of Prime/Retail Liquidity Provider' from Finance Magnates.

The launch of Saxo Bank's digitised bond offering - the world's first truly digital trading solution for bonds - also marked another milestone in the continued digitisation of markets.

WHITE LABEL BUSINESS

Saxo Bank's White Label solution is of specific strategic importance to the Bank. In a White Label solution, Saxo Bank



provides banks, brokers and wealth managers with a scalable and cost-efficient way to replace outdated trading technology.

Saxo Bank's white label partners (WLCs) benefit from over two decades of innovation and proven technology which is fully tested and constantly refined for our own retail client base.

Saxo Bank's product suite is part of a full-service value chain including client on-boarding and back office support. Engaging with Saxo Bank enables large financial institutions to keep pace with technological change while reducing cost and complexitiy. Importantly, these solutions enable WLCs to pivot their resources to the client experience in their jurisdiction at a time when new FinTech entrants are innovating rapidly and impacting client preferences.

Open Bank Strategy

Saxo Bank's decision to launch SaxoTraderGO using Open API in 2015 is proving to be an inflection point for the Bank's strategy. The Open Banking environment that has been created allows clients to combine services in endless combinations to achieve a truly customised client experience. By opening up our own infrastructure, the Bank is now able to engage with a much wider set of clients - from traditional banks leveraging technology capabilities to newer technology entrants that leverage Saxo Bank's infrastructure as a regulated bank in the EU. Saxo Bank believes this demand is very well-aligned to the transformation of the overall financial services industry.

SAXO PRIVATBANK/RETAIL BANKING

Saxo Bank offers private and retail banking through Saxo Privatbank, a fully licensed Danish bank with branches across Denmark.

Saxo Privatbank focuses on private banking, offering full-service banking with special attention to investment advisory services. The core offering combines digital solutions for everyday banking transactions, as well as the ability to use advanced tools and services to make sound investment decisions, combined with 360-degree advisory services.

The core offering is an innovative integration of Saxo Bank's trading and investment platform with its third party banking infrastructure (SDC). The new and combined offering allows clients to use advanced order types and technical analysis, and provides access to 32 markets – also from pension accounts. The solution is accessible from PC, tablet and smartphone, and settings and workspaces are shared across devices.

The total value of cash deposits and investments by clients of Saxo Privatbank amounted to DKK 24.0 billion as of 31 December 2016. Of this amount, DKK 13.3 billion were investments managed by Saxo Wealth Management on behalf of clients, while DKK 7.5 billion was clients' direct investments in securities, with the remaining DKK 3.2 billion representing clients' cash deposits with Saxo Privatbank. The total balance of loans outstanding amounted to DKK 1.7 billion.

SAXO TAKES BONDS ONLINE

– Shaping the future of fixed income trading

Saxo Bank launches the world's first truly digital trading solution for corporate and government bonds

In a major disruption of the traditional manual process of trading bonds, Saxo Bank announced the launch of its digital trading solution for over 5,000 corporate and government bonds in December 2016.

Trading bonds has traditionally been a manual process based on a "request for quote" from a very small number of banks, and in some instances a single bank, which is very inefficient as it does not explore the depth of the liquidity and range of prices available in the marketplace.

With this new solution, Saxo Bank is connecting fixed income traders to the global bond market via SaxoTraderGO, offering them more transparency, cost-effectiveness and efficiency in their trading process. Bond orders are directed to optimised dealer auctions comprising 40 of the world's largest bond liquidity providers. This enables Saxo Bank clients to benefit from huge savings in both time and cost due to a fully digitalised process and the competitive nature of the multi-dealer environment.

"It is hard to imagine a market riper for disruption than the bond market. Watching a bond trader trade over the phone, at a time when the internet has touched almost every area of financial markets, not to mention our lives, is a clear call for disruption. Enabling our clients to trade bonds more efficiently is an extension of our mission of democratising investment and trading and levelling the playing field between institutions and retail investors when it comes to accessing financial markets. Investors need to ask themselves if they want to continue to trade based on an indicative price from a single bank or if they want to get the best price available from up to 40 liquidity providers including some of the largest global banks through Saxo Bank."

– Kim Fournais, Saxo Bank's CEO and Co-founder

THE BUSINESS OF SAXO BANK

SAXO BANK'S BUSINESS MODEL

Saxo Bank's core business is to facilitate online trading and investments by providing access to multiple asset classes traded in the global financial markets. The Bank continuously works to improve its platforms and products to provide its private and institutional clients as well as clients of Saxo Bank's partners an even better experience via the most sophisticated, cloud-based, multi-asset platforms available.

Historically, access to financial markets was the preserve of financial institutions, and private clients were restricted in their access to market information and trading venues.

The advent of the internet presented an opportunity to open the world's financial markets to private clients through access to real-time market information and real-time transactions. Saxo Bank was, and still is, a pioneer in providing innovative solutions to individuals who want to invest in and trade the world's financial markets.

Today, the Bank's proposition is attractive to private clients whom the Bank services directly as well as to private clients of the Bank's partners who are serviced indirectly. Saxo Bank also has an attractive proposition for financial institutions such as hedge funds, asset managers and corporates, for whom Saxo Bank has developed dedicated solutions and service models. Saxo Bank's ambition is to empower clients to execute on their investment ideas, reducing intermediation and squeezing out cost inefficiencies. At the same time, the Bank offers clients a robust trading infrastructure, secure and real-time access to the markets, access to a wealth of support in the form of news, market information, ideas, social interaction with fellow traders and assistance when needed. Saxo Bank's business model is illustrated in the diagram on page 26.

TRADING FACILITATION

Liquidity provisioning

To facilitate online margin trading in non-listed products on its trading platforms, Saxo Bank obtains liquidity from more than 15 large banks. For trading in listed products, liquidity is provided through connectivity to the world's major trading venues and stock exchanges. By aggregating liquidity from multiple sources, Saxo Bank is able to stream competitive prices and spreads to its clients, and deal with the flow of transactions in a cost-effective way. Due to Saxo Bank's wide client base, the Bank is often able to match two sides of the trade on the Bank's own platform, thereby improving the efficiency of the trading process and eliminating the cost of hedging that exposure. Efficient execution and risk management are thus core competencies of Saxo Bank.

Products

Saxo Bank offers a wide range of assets and products for online trading including Over-The-Counter (OTC) FX and CFD products as well as exchange-traded funds (ETFs), stocks, futures and options from across the globe including:

182 FX crosses (130 tradable as FX Forwards)
44 FX Options
11 NDFs
7,600 CFD Stocks, 24 CFD Indices and
45 CFD Commodities
19,200 Stocks, ETFs and ETCs
235 Contract Futures
1,000 Stock Options
195 Contract Options
5,000 Bonds (plus 45,000 offline)

Margin trading and risk management

FX, CFDs and futures are typically traded on margin, enabling clients to enter into nominal investments/positions that exceed the value of their deposits with Saxo Bank, with dynamic margin changes reflecting the changes in the risk profile of the trades. To facilitate clients' trading in margin products, Saxo Bank allows clients to use cash deposits, stocks and bonds as collateral. The Bank's risk exposure to clients' margin trading is managed in real-time through the Bank's proprietary risk-management systems.

Trading platforms

To facilitate its clients' trading needs, Saxo Bank has developed proprietary online trading platforms, tailored to fit different client experiences, preferences and different types of hardware. The trading platform remains the focal

SAXO ENABLES. DEMOCRATISING INVESTMENT AND TRADING

point of Saxo Bank's core business. It was therefore a significant event when SaxoTraderGO, based on HTML5 technology, was launched in 2015. This trading platform, which is accessible via mobile, tablet and web, was born out of a clear mission: to create the world's most intuitive multi-asset trading platform for private traders and investors. The fact that SaxoTraderGO is developed to be device-neutral has made it popular among clients and partners. Saxo Bank continues to further develop that platform, and plans to launch SaxoTraderPRO in 2017. In addition to tradeable prices and spreads, Saxo Bank's trading platforms provide clients with access to real-time market news and analysis from recognised sources such as Dow Jones Newswires and Reuters. Clients also have access to real-time charts, a financial calendar, risk management tools and educational resources. An advanced API-based trading solution is also offered, branded as Saxo Direct. The API solution provides access to Saxo Bank's own multi-asset liquidity. This access is suited to retail aggregators and asset managers who can benefit from competitive spreads on a range of assets, including FX, CFDs (Indices and Commodities), CFD DMA, stocks and futures.

Open API

Saxo Bank is one of the first financial institutions to give access to its trading infrastructure through the Bank's new REST-based Open API. This allows partners, clients and external developers to access over 20 years of trading infrastructure innovation and enables them to customise their trading experience and create new revenue streams.

Saxo Bank's APIs, combined with single sign-on features, enable institutions to create a seamless user experience within their own client offerings. The Bank's capability to allow partners to plug in their own liquidity on the front-end and giving the partner the choice to either use existing relationships or the open back-office of Saxo Bank as the prime broker/custodian makes the Bank's solution in this space truly unique.

CAPITAL MANAGEMENT

The purpose of Saxo Bank Group's capital management 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 CRD IV Pillars I, II and III. Pillar I defines a set of rules for calculating the minimum capital requirement. Pillar II describes the framework for the Group's Internal Capital Adequacy Assessment Process (ICAAP) and the supervisory review, while Pillar III contains the disclosure aspect. The Group's ICAAP comprises five steps as described below:

Step 1: Capital requirement according to CRR/CRD IV (Pillar I)
Step 2: Internal assessment of whether further capital requirements are needed in addition to Pillar I using quantitative approaches and expert inputs (Pillar II)
Step 3: Capital requirement adequacy testing through internal models, stress testing and scenario analysis; if steps 1-2 are found underestimating risks, then step 2 is revisited
Step 4: Capital adequacy determination based on the three previous steps
Step 5: Disclosure (Pillar III)

PILLAR I, CAPITAL REQUIREMENTS

This first step in assessing the Group's adequate capital level is to calculate the minimum capital requirement using the CRD IV - Pillar I. The Group uses the following methodologies to calculate risk exposure amounts for the three types of risks:

Credit risk - The Standard Method
- Counterparty Credit Risk: Marked to market Method
  - Used for determining the Bank's size of the exposure amount against counterparties who have entered into derivative-transactions with the Group

- Credit Risk Mitigation: Financial Collateral Comprehensive Method
  - Used for both credit mitigation concerning Counterparty Credit Risk as well traditional Credit Risk, e.g. retail banking

Market risk - Standard methods
- Equity Price Risk: The Standardised Approach
- Currency Risk: The Standardised Approach
- Interest Rate Risk: The Standardised Approach
- Option Risk (gamma, vega): The Scenario Approach
- Commodity Risk: The Maturity Ladder Method

Operational risk - Basic Indicator Method

PILLAR II, 8+ METHODOLOGY

The second step is an internal assessment of the risks to which the Group is exposed using a quantitative approach or expert input. The internal approach, where each risk category is assessed subjectively in accordance with certain principles and with DFSA's capital adequacy requirement guideline (referred to as 8+), determines whether additional capital requirements for each of the risk categories are needed in addition to Pillar I. More details regarding how the exposures for each of the risk categories are assessed can be found in the unaudited Saxo Bank Group Risk Report 2016, which is available at www.home.saxo/about-us/investor-relations.

Credit risk
As a baseline, the Group follows the DFSA capital adequacy requirement guideline in the assessment of additional Pillar II requirements within the credit risk area. As a supplement to this, credit exposures arising from margin trading activities are assessed using alternative approaches to assess the risks not covered by the Pillar I calculation.

Market risk
The market risk in the Group from open market positions in FX, interest rates, equities and commodities is measured as the expected one day loss for the portfolio using an Expected Shortfall approach. The Expected Shortfall model has a lookback period of one year, but puts more weight on recent observations. The model takes into account risk diversification effects.

Operational, Compliance and Legal risk
The Group's operational risk is assessed through a self-assessment process where likelihood and impact levels of risk events are determined.

Liquidity risk
The liquidity risk is determined as the increased cost of raising capital in a very illiquid market. The Saxo Bank Group has determined the liquidity risk based on stressed scenarios with a liquidity shortfall within the Group. To the extent that the events bring the liquidity below internally set thresholds, capital will be explicitly allocated to cover the risk.

Business risk
The business risk reflects the risks of a direct or an indirect loss, or damaged reputation as a result of changes in external circumstances or events. Some of these risks are only partially captured in the other risk categories, which is why these risks are addressed in this category.

CAPITAL REQUIREMENT ADEQUACY TESTING

In addition to the Pillar I and Pillar II approach, the Group uses internal models, stress testing and scenario analysis to test the adequacy of the capital requirement. The stress tests and scenarios reflect a loss given the occurrence of an impact or event. The tests and scenarios are developed on the basis of the risk register, and reflect exceptional but possible single events or chains of events.

Furthermore, the Group uses a number of combined scenarios, combining multiple events across risk categories. One of the combined events entails a close-to-unlikely chain of events, in order to ensure the utmost degree of stress. Where applicable, the scenario takes insurance coverage into account. The scenarios are updated and reviewed according to significant changes in the market and economic environment, and at least once a year.

If the testing shows the capital requirement assessed through Pillar I and Pillar II is underestimating the risks, then the Pillar II assessment is revisited.

CAPITAL ADEQUACY DETERMINATION

Upon completion of the previous steps, the appropriate level of capital adequacy to operate the Group is determined as the sum of each risk category's capital requirement.

CAPITAL PLANNING

Part of the ICAAP is planning future capital needs in relation to the future regulatory requirements, the business environment, growth and strategic plans in the years to come. Potential major changes to the risk profile, and thereby the future solvency needs, are estimated using the ICAAP and captured in the Capital Plan. The Capital Plan is used in the strategic decision-making process by the Board of Management and the Board of Directors.

LIQUIDITY MANAGEMENT

In accordance with EU regulation, Danish credit institutions are required to perform an internal liquidity adequacy assessment process (ILAAP). Accordingly, the purpose of the ILAAP is to determine the adequate level of liquidity that is required to operate the Saxo Bank Group.

The ILAAP is based on an internal process in which the Board of Management assesses the overall liquidity and funding risks. It is the policy of the Group to update, maintain and execute stress tests on the liquidity on an ongoing basis. In addition, the Group's objectives and liquidity risk appetite are monitored as part of the ILAAP process. Liquidity management in the Saxo Bank Group covers short-term and long-term as well as intraday liquidity management. The Group relates to both regulatory and self-assessed liquidity ratios and stress tests to ensure that liquidity requirements and operating obligations are met on all time horizons.

Procedures for the intraday liquidity management ensure that the Bank is positioned for timely and accurate settlements and executions of any demands, requirements and obligations. The Group operates with a day-to-day strategy of handling liquidity.

Details regarding the liquidity management can be found in the unaudited Saxo Bank Group Risk Report 2016 available at www.home.saxo/about-us/investor-relations.

RISK FACTORS

Saxo Bank Group is exposed to various risks that are actively monitored as applicable based on the underlying exposure. The Group strives to manage and mitigate those risks that it has influence upon in order to ensure that risks are within the Group's risk appetite. In addition, the Group may be 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 Group strives to be observant and responsive to changes in the external environment. Nevertheless, there can be no assurance this will prove to be sufficient, as actual developments may differ significantly from the Group's expectations.

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

BUSINESS RISK

The competitive environment

Technology spreads out making it easier to replicate existing trading platforms and enabling newcomers to start up at low cost. As a result of lower barriers to entry, many low-cost players have been attracted to the marketplace. Consequently, these newcomers may lead to increased price competition, which could have a material adverse impact on Saxo Bank Group. Although the Group 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 Group's revenue or margins and thereby have a material adverse effect on the Group.

The regulatory environment

Furthermore, new regulations could potentially constrain the Group's ability to provide products and services to its clients or may increase the costs of providing such products and services.

A more detailed description of the Group's regulatory environment can be found on page 10.

Client activity

Saxo Bank Group 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 Group's products is subject to changes in market conditions as well as clients' attitude towards risk and other factors beyond the Group's control. Periods of low risk appetite mean lower activity and reduced demand for the Group's leveraged products, which may have a material adverse effect on the Group's results and financial position.

OPERATIONAL RISK

Business disruption

Saxo Bank Group is highly dependent on the continuous operation of its IT infrastructure. Therefore, system failures could impact the Group's services to its clients or critical internal business processes. For example, the complete loss of the IT infrastructure means that the Group 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 Group. Furthermore, in a catastrophic event such as a global pandemic or severe fire, a large proportion of staff might not be able to carry out their daily duties. As a result, the Group might be adversely affected.

To cover the above-mentioned scenarios, the Group has redundant data centers, business contingency plans and insurance programs in place that are regularly reviewed and challenged to ensure continuing effectiveness and relevance.

Third parties

The Group relies on outsourced service providers to perform certain functions. These service providers also face technology and operating risks, and any significant failures by them could disrupt operations and thus cause the Group to incur losses and harm the Group's reputation.

Outsourcing agreements with third parties are monitored and reviewed regularly to ensure that they meet the Group's internal policies and requirements.

Security risk

Saxo Bank Group operates in various countries and pursues a decentralised decision-making authority based on guidelines established by the parent company. Although the Group has various control systems in place in order to monitor decentralised business units, these might not prove sufficient to ensure that local managers adhere to all guidelines and local regulations, and therefore it cannot be ruled out that the Group could experience an incident that may have a material adverse effect on the Group.

Compliance risk

Although Saxo Bank Group continuously monitors and accommodates regulatory changes, it cannot be ruled out that the Group might fail to adhere to certain regulations. The Group's failure to comply with applicable regulations could result in substantial costs, losses and other negative consequences such as revocation of license(s).

Cyber risk

Cyber-attacks on financial institutions are increasing and becoming more sophisticated and targeted than ever before. These emerging threats could harm the Group and its clients, which might affect the Group financially or harm its reputation.

As with any other business solution, the Group's trading infrastructure might be exploited or misused by cyber criminals. The Group has taken several steps to protect its infrastructure both with policies and procedures as well as mitigating technical controls for these emerging threats. The Group furthermore keeps an eye on the evolution of cyber-attacks, ensuring an adaptive defense.

CREDIT RISK

The Group is subject to credit risks from its retail banking operation, trading operation and its brokerage operation.

Client trading exposures may lead to uncollateralised client trading exposures in the event of an unexpected large price gap in one or several markets. In these instances the collateral posted by clients may not offset sustained trading deficits. To mitigate these risks the Group uses a real-time monitoring system, which can intervene instantaneously.

The Group also faces credit risks in its brokerage operation from liquidity providers, financial brokers and counterparties to derivative trades. The counterparty default risk is mitigated by pledging collateral via third party custody accounts, by implementing bilateral collateral agreements, by the use of trade compression as well as other means. However, all credit exposures cannot be totally eliminated on an intraday basis. In acknowledgement of this fact, the Group only operates with regulated counterparties carrying a high credit rating and within a set of predefined limits.

Lastly, the Group encounters credit risk through traditional banking operations. The day to day business of granting credit to retail clients and SME's exposes the Group to potential losses if these clients cannot meet their obligations. The granting of a credit facility is based on the Group's insight into the client's financial position. As part of this process, the Group strives to ensure that each facility matches the credit quality and financial position of the client. Furthermore, the Group strives to avoid single-name concentration risks as well as concentrations within certain business segments.

MARKET RISK

The Group encounters market risk from the investment of client funds deposited in Saxo Bank as margin to support the clients' trading activities. A large portion of the deposited funds are invested conservatively in short-term government bonds on a daily basis by the Group's treasury department in order to generate extra yield. The difference in the variability of short-term interest rates for deposited client funds and the variability for short- to medium-term government or other bonds bought by the Group treasury creates market risk.

Market risks also arise from the market making activities in the Markets department. As part of offering competitive prices, the main role of the Group's trading function is to optimise the trading flow i.e. determine the timing of covering the market risk.

The main share of the trading flow from clients taking place on the Saxo Bank trading platform is executed automatically by a central computer. The computer works to minimise the market risk exposure.

In case of a significant adverse movement in the foreign exchange, equity, commodity or interest rate market or any other external event outside the Group's control, exposures in the above-mentioned areas may have a material adverse effect on the Group. This is why the Group monitors market exposures and losses closely on an intraday basis.

The overall strategic direction of Saxo Bank remains to optimise the hedging of all trading flows in order to minimise the Bank's market risk exposure from client trading as much as possible.

LIQUIDITY RISK

The Group encounters liquidity risk mainly when facilitating clients' trading activities. Liquidity Risk is the risk of the Group not being able to fulfil its payment obligation as they fall due, the risk of the cost of funding rising to disproportionate levels or the risk that the Group does not comply with regulatory liquidity requirements.

Liquidity management in Saxo Bank covers short-term and long-term, as well as intraday liquidity management. In order to mitigate liquidity risk, the Group is operating with systems enabling relevant parties to gain timely information on the liquidity requirements and reserves at any given time.

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, 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.

2016 HIGHLIGHTS

JANUARY

- Saxo Bank announces the launch of SaxoSelect, a fully digital discretionary investment service targeted at retail investors. The launch of SaxoSelect marks a major milestone for Saxo Bank and underlines its commitment to expand into the investor space.
- John Hardy, Saxo Bank's Head of FX Strategy is being named top currency forecaster among FX Week contributors.

MARCH

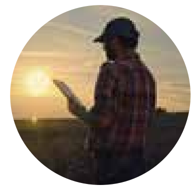
- Saxo Bank wins 'Game Changer' at the Danish Digital Awards in Copenhagen within 6 months of launching SaxoTraderGO, the new cross-device trading platform built on HTML5.

MAY

- Saxo Bank announces a new landmark white label partnership with Lufax, China's largest internet finance company. The partnership will see Lufax leverage the trading technology that underpins SaxoTraderGO – providing Lufax's considerable client base with a seamless experience across mobile and desktop platforms.

JUNE

- Saxo Bank acts to reduce client exposure to risk during Brexit. These measures, together with the expertise and support shared with clients resulted in a successful handling of the event – not only for Saxo Bank but also for the clients, who made approximately EUR 200 million throughout the primary Brexit trading.



SEPTEMBER

- Saxo Bank is awarded "Best Overall Boutique Prime Broker" at the HFM Awards in Hong Kong – its first major recognition in the hedge fund space in Asia.
- With the launch of Saxo Bank's new global website, a new era for the Bank's web presence begins, significantly improving not only internal processes but more importantly the Saxo Experience.
- Saxo Bank launches the new "Let's change the way we invest" campaign focused on SaxoTraderGO but also telling the broader Saxo story anchored in Saxo Bank's vision to enable and to democratise investment and trading.
- Saxo Bank's COO Søren Kyhl and Head of Business Management Stig Tørnes publish extensive white paper on Fintech, including an explanation of how Saxo Bank's facilitator business model and value proposition perfectly fit into the new landscape.

OCTOBER

- Saxo Bank launches the world's first truly digital trading solution for corporate and government bonds, disrupting the traditional manual "request for quote" process of trading fixed income.

NOVEMBER

- With a total of 490,000 client trades the day following the US election, Saxo Bank reached a new record in trading activity.
- Saxo Bank wins two prestigious awards at Finance Magnates' 2016 London Summit for "Best Prime of Prime Broker/Retail Liquidity Provider" and" Best Forex Broker".
- Saxo Bank passes the DKK 90 billion milestone in Assets under Management (AUM), an important testament to the trust that clients continue to have in Saxo Bank.
- Saxo Bank says goodbye to the SaxoWebTrader platform. Taking its place is SaxoTraderGO, which offers comparable functionality but a superior user experience and performance.

DECEMBER

- Saxo Bank switches to Order Driven Execution for FX Spot, FX Forwards and CFD Indices, Commodities, Interest Rates and Bonds. This differentiates Saxo in the market and adds to our profile as a transparent and responsible FX and CFD trading partner.

FINANCIAL STATEMENTS

CONTENTS FINANCIAL STATEMENTS

INCOME STATEMENT – SAXO BANK GROUP
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2016	2015
3	Interest income	1,311,147	1,264,126
4	Interest expense	(182,247)	(201,840)
	Net interest income	**1,128,900**	**1,062,286**
5	Fee and commission income	1,282,623	1,262,887
6	Fee and commission expense	(881,804)	(972,612)
	Net interest, fees and commissions	**1,529,719**	**1,352,561**
7	Price and exchange rate adjustments	1,399,969	774,130
	Operating income	**2,929,688**	**2,126,691**
8	Other income	28,247	40,671
9	Staff costs and administrative expenses	(2,083,830)	(2,296,832)
16,18	Depreciation, amortisation and impairment of intangible and tangible assets	(350,730)	(535,136)
	Other expenses	(8,356)	(20,268)
11	Impairment charges loans and receivables etc.	(96,816)	(40,388)
	Income from associates and joint ventures	-	(53,099)
	Profit before tax	**418,203**	**(778,361)**
12	Tax	(115,755)	133,722
	Net profit	**302,448**	**(644,639)**
	Net profit attributable to:		
	Shareholders of Saxo Bank A/S	295,411	(655,919)
	Additional tier 1 capital holders	32,643	32,656
	Non-controlling interests	(25,606)	(21,376)
	Net profit	**302,448**	**(644,639)**

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK GROUP

1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2016	2015
	Net profit	**302,448**	**(644,639)**
	Other comprehensive income		
	Items that will not be reclassified subsequently to income statement:		
	Remeasurement of defined benefit plans	(25,231)	3,259
12	Tax	4,881	(603)
	Items that will not be reclassified subsequently to income statement	(20,350)	2,656
	Items that are or may be reclassified subsequently to income statement:		
	Exchange rate adjustments	(13,573)	125,149
29	Hedge of net investments in foreign entities	22,146	(63,118)
29	Fair value adjustment of cash flow hedges:		
	Effective portion of changes in fair value	(14,175)	(3,521)
	Net amount transferred to profit or loss	14,134	14,464
	Other comprehensive income from associates, net of tax	-	13
12	Tax	(4,974)	12,138
	Items that are or may be reclassified subsequently to income statement	3,558	85,125
	Total other comprehensive income	**(16,792)**	**87,781**
	Total comprehensive income	**285,656**	**(556,858)**
	Total comprehensive income attributable to:		
	Shareholders of Saxo Bank A/S	278,619	(568,138)
	Additional tier 1 capital holders	32,643	32,656
	Non-controlling interests	(25,606)	(21,376)
	Total comprehensive income	**285,656**	**(556,858)**

STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP
AT 31 DECEMBER

Note	(DKK 1,000)	2016	2015
	ASSETS		
	Cash in hand and demand deposits with central banks	5,577,707	2,808,010
13	Receivables from credit institutions and central banks	2,442,512	1,735,824
14	Trading assets	31,104,475	24,311,589
15	Loans and other receivables at amortised cost	1,691,487	1,793,022
	Current tax assets	8,687	12,500
16	Intangible assets	1,618,677	1,678,312
18	Tangible assets	784,307	804,555
12	Deferred tax assets	41,944	56,111
24	Other assets	308,721	301,640
	Total assets	**43,578,517**	**33,501,563**

STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP
AT 31 DECEMBER

Note	(DKK 1,000)	2016	2015
	LIABILITIES		
19	Debt to credit institutions and central banks	6,992,612	2,807,481
14	Trading liabilities	3,036,757	2,536,624
20	Deposits	27,930,393	22,734,633
	Current tax liabilities	75,766	55,838
24	Other liabilities	644,123	624,052
12	Deferred tax liabilities	10,761	1,400
21	Provisions	120,628	129,038
23	Subordinated debt	529,077	674,070
	Total liabilities	**39,340,117**	**29,563,136**
	EQUITY		
	Share capital	68,284	68,284
	Translation reserve	237,061	233,380
	Hedging reserve	(52,467)	(52,320)
	Revaluation reserve	53,944	55,597
	Retained earnings	3,543,842	3,244,836
	Shareholders of Saxo Bank A/S	**3,850,664**	**3,549,777**
	Additional tier 1 capital	346,026	346,084
	Non-controlling interests	41,710	42,566
25	**Total equity**	**4,238,400**	**3,938,427**
	Total liabilities and equity	**43,578,517**	**33,501,563**

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

(DKK 1,000)	Shareholders of Saxo Bank A/S								
	Share capital	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total	Additional tier 1 capital	Non-controlling interests	Total
Equity 1 January 2015	**66,618**	**156,516**	**(60,568)**	**56,901**	**3,640,853**	**3,860,320**	**337,976**	**26,928**	**4,225,224**
Net profit	-	-	-	-	(655,919)	(655,919)	32,656	(21,376)	(644,639)
Other comprehensive income									
Exchange rate adjustments	-	125,149	-	-	-	125,149	-	-	125,149
Hedge of net investments in foreign entities	-	(63,118)	-	-	-	(63,118)	-	-	(63,118)
Fair value adjustment of cash flow hedges	-	-	10,943	-	-	10,943	-	-	10,943
Revaluation of domicile properties	-	-	-	(1,725)	1,725	-	-	-	-
Other comprehensive income from associates, net of tax	-	-	-	-	13	13	-	-	13
Remeasurement of defined benefit plans	-	-	-	-	3,259	3,259	-	-	3,259
Tax	-	14,833	(2,695)	421	(1,024)	11,535	-	-	11,535
Total other comprehensive income	-	76,864	8,248	(1,304)	3,973	87,781	-	-	87,781
Total comprehensive income	**-**	**76,864**	**8,248**	**(1,304)**	**(651,946)**	**(568,138)**	**32,656**	**(21,376)**	**(556,858)**
Transactions with owners									
Tier 1 issuance	-	-	-	-	(201)	(201)	-	-	(201)
Tier 1 interest payment	-	-	-	-	-	-	(24,548)	-	(24,548)
Share-based payments	-	-	-	-	12,944	12,944	-	1,421	14,365
Increase in share capital, net of transaction costs[1)]	1,666	-	-	-	226,267	227,933	-	(2)	227,931
Treasury shares	-	-	-	-	10,441	10,441	-	-	10,441
Transactions with non-controlling interest	-	-	-	-	(1,193)	(1,193)	-	35,595	34,402
Tax	-	-	-	-	7,671	7,671	-	-	7,671
Equity at 31 December 2015	**68,284**	**233,380**	**(52,320)**	**55,597**	**3,244,836**	**3,549,777**	**346,084**	**42,566**	**3,938,427**
Net profit	-	-	-	-	295,411	295,411	32,643	(25,606)	302,448
Other comprehensive income									
Exchange rate adjustments	-	(13,573)	-	-	-	(13,573)	-	-	(13,573)
Hedge of net investments in foreign entities	-	22,146	-	-	-	22,146	-	-	22,146
Fair value adjustment of cash flow hedges	-	-	(41)	-	-	(41)	-	-	(41)
Revaluation of domicile properties	-	-	-	(2,150)	2,150	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	(25,231)	(25,231)	-	-	(25,231)
Tax	-	(4,892)	(106)	497	4,408	(93)	-	-	(93)
Total other comprehensive income	-	3,681	(147)	(1,653)	(18,673)	(16,792)	-	-	(16,792)
Total comprehensive income	**-**	**3,681**	**(147)**	**(1,653)**	**276,738**	**278,619**	**32,643**	**(25,606)**	**285,656**
Transactions with owners									
Tier 1 interest payment	-	-	-	-	-	-	(32,701)	-	(32,701)
Share-based payments	-	-	-	-	15,420	15,420	-	250	15,670
Transactions with non-controlling interest	-	-	-	-	(334)	(334)	-	24,500	24,166
Tax	-	-	-	-	7,182	7,182	-	-	7,182
Equity at 31 December 2016	**68,284**	**237,061**	**(52,467)**	**53,944**	**3,543,842**	**3,850,664**	**346,026**	**41,710**	**4,238,400**

) Transaction costs deducted from equity, DKK 5 million.

STATEMENT OF TOTAL CAPITAL – SAXO BANK GROUP
AT 31 DECEMBER

(DKK 1,000)	2016	2015
Tier 1 capital		
Total equity 1 January excl. non-controlling interests	3,549,777	3,860,320
Net profit excl. non-controlling interests	328,054	(623,263)
Accrued interest (dividend) on Additional tier 1 capital	(32,643)	(32,656)
Cost of issuance of Additional tier 1 capital	-	(201)
Share-based payments	15,420	12,944
Total other comprehensive income	(16,792)	87,781
Change in Common equity tier 1 capital (CET1 capital)	(334)	237,181
Common equity tier 1 capital from subsidiaries	778	1,147
Hedging reserve	52,467	52,320
Intangible assets	(1,618,677)	(1,678,312)
Deferred tax liabilities, intangible assets	77,283	136,565
Deferred tax assets	(46,515)	(123,265)
Prudent valuation adjustments	(7,664)	(6,673)
Common equity tier 1 capital (net after deduction)	**2,301,154**	**1,923,888**
Additional tier 1 capital	334,802	334,802
Tier 1 capital from subsidiaries	98	65
Total Tier 1 capital	**2,636,054**	**2,258,755**
Tier 2 capital		
Subordinated debt, new regulation	343,215	338,224
Subordinated debt, old regulation, reduced value	26,275	92,385
Tier 2 capital from subsidiaries	163	109
Total Tier 2 capital	**369,653**	**430,718**
Total capital	**3,005,707**	**2,689,473**
Risk exposure amounts		
Credit risk	6,476,139	4,355,232
Market risk	3,837,350	2,916,862
Operational risk	5,136,766	5,703,384
Total Risk exposure amounts	**15,450,255**	**12,975,478**
Common equity tier 1 ratio	14.9%	14.8%
Tier 1 capital ratio	17.1%	17.4%
Total capital ratio	19.5%	20.7%

Total capital is calculated in accordance with CRD IV and CRR which have been applicable from beginning of year 2014 and taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority.

CASH FLOW STATEMENT – SAXO BANK GROUP

AT 31 DECEMBER

(DKK 1,000)	2016	2015
Cash flow from operating activities		
Profit before tax	418,203	(778,361)
Tax paid	(46,924)	(59,922)
Adjustment for non-cash operating items:		
Income from associates and joint ventures	-	53,099
Amortisation and impairment charges of intangible assets	303,916	474,561
Depreciation and impairment charges of tangible assets and investment properties	46,814	60,575
Loan impairment charges	96,816	21,817
Other non-cash operating items	6,217	84,467
Total	825,042	(143,764)
Changes in operating capital:		
Receivables from credit institutions and central banks	(9,303)	(290)
Derivative financial instruments	(267,274)	(877,527)
Loans and other receivables at amortised cost	6,209	45,591
Bonds	(6,025,248)	(1,406,784)
Other assets	(7,544)	(54,879)
Debt to credit institutions and central banks	4,182,997	712,084
Deposits	5,128,559	1,202,335
Provisions and other liabilities	40,417	187,540
Cash flow from operating activities	**3,873,855**	**(335,694)**
Cash flow from investing activities		
Divestment of businesses, associates, joint ventures and other participating interests, net of cash	3,573	194,527
Acquisition of intangible and tangible assets	(257,345)	(249,490)
Cash flow from investing activities	**(253,772)**	**(54,963)**
Cash flow from financing activities		
Tier 1 interest payment	(32,701)	(24,548)
Issuance/redemption of subordinated debt	(148,722)	131,327
Transactions with non-controlling interests	21,527	37,022
Increase in share capital	-	227,931
Share-based payments	6,896	4,117
Purchase/disposal of treasury shares	-	10,441
Cash flow from financing activities	**(153,000)**	**386,290**
Net increase/(decrease) in cash and cash equivalents	3,467,083	(4,367)
Cash and cash equivalents at 1 January	4,538,710	4,543,077
Cash and cash equivalents at 31 December	**8,005,793**	**4,538,710**
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	5,577,707	2,808,010
Amounts due from credit institutions and central banks within three months	2,428,086	1,730,700
Cash and cash equivalents at 31 December	**8,005,793**	**4,538,710**

Note

1 Accounting policies

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and 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.

On 17 March 2017, the Board of Directors and Board of Management authorise the Annual Report for the financial year 2016 for Saxo Bank A/S for issue. The Annual Report will be submitted for approval by the shareholders of Saxo Bank A/S, at the subsequent Annual General Meeting on 19 April 2017.

Comparative figures
Certain minor changes have been made to the comparative figures for 2015, due to reclassifications.

Basis of preparation
The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency of Saxo Bank A/S. All amounts have been rounded to nearest DKK thousand, unless otherwise stated.

The consolidated financial statements of Saxo Bank A/S for the year ended 31 December 2016 comprise Saxo Bank A/S and its subsidiaries (together referred to as "the Group") and the Group's interests in jointly controlled entities and associates.

The 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, being the fair value at the date of revaluation.

For the purpose of clarity, the financial statements and the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the financial statements. Similarly, information not considered material is not presented in the notes.

Basis of consolidation
The consolidated financial statements comprise the parent company Saxo Bank A/S and subsidiaries in which Saxo Bank A/S has control. Control exists when Saxo Bank A/S is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When determining whether Saxo Bank A/S has control, de facto control and potential voting rights, which at the reporting date are substantive, are considered. For a right to be substantive, Saxo Bank A/S must have the practical ability to exercise that right.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value at the date, the control is lost. Subsequently it is accounted for as an associate, joint venture or investment security depending on the level of influence retained.

Information on Group entities is disclosed in note 35.

Entities in which the Group has significant influence are considered associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those. Significant influence is generally presumed to exist when the Group owns or controls directly or indirectly more than 20% of the voting rights.

Joint arrangement whereby the Group and the parties involved have joint control of the arrangement and have rights to the net assets of the arrangement are considered joint ventures.

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

The non-controlling interest's share of the net profit/loss for the year and of the equity of subsidiaries, which are not wholly owned, are included in the Group's net profit/loss and equity, respectively, but is disclosed separately.

Business combinations
Acquired businesses are recognised in the consolidated financial statements from the date of acquisition. The date of acquisition is the date when the Group obtains control of the acquired entity. Businesses which are divested are recognised in the consolidated financial statements until the date control ceases.

For acquisitions where the Group obtains control of the acquired business the acquisition method is applied. The identifiable assets, liabilities and contingent liabilities of acquired businesses are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if separable or if they arise from contractual or other legal rights. Deferred tax related to fair value adjustments is recognised.

Any excess of the fair value of the consideration transferred over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill in Intangible assets. When the excess is negative, a bargain purchase gain is recognised in the income statement at the acquisition date. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency

Note

1 Accounting policies · continued

other than the presentation currency applied in the Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

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 to 12 months after the acquisition date. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly.

The consideration transferred comprises the fair value of the assets transferred and liabilities and contingent liabilities incurred. If parts of the consideration are conditional upon future events (contingent consideration), these parts are recognised at fair value at the acquisition date. Transaction costs that the Group incurs in connection with the business combination are recognised in the income statement.

Changes in estimates of contingent consideration relating to business combinations are recognised in the income statement in Other income or Other expenses. 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.

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 or Other expenses.

At initial recognition a non-controlling interest is measured at fair value or at its proportionate interest in the fair value of the net assets acquired. The measurement principle is elected on a transaction-by-transaction basis and is disclosed in the notes together with the description of the acquired business.

On acquisition of non-controlling interests acquired net assets are not remeasured at fair value. On acquisition of non-controlling interests, the difference between the consideration transferred 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. On disposal of shareholdings to non-controlling interests, the difference between the consideration received 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.

Gains or losses on the divestment or winding-up of subsidiaries, associates or joint ventures are measured as the difference between the consideration received adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying amount of goodwill.

Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently 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
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.

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 reporting date. 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 DKK, the income statements, statements of other comprehensive income and cash flow statements are translated at the exchange rates at the transaction date. The statements of financial position are translated at the exchange rates at the reporting date. 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 reporting date and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the reporting date, are recognised in other comprehensive income and presented in equity under Translation reserve.

On recognition in the consolidated financial statements of associates and joint ventures with a functional currency other than 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 reporting date. Foreign exchange rate adjustments arising on translation of the share of the opening balance of equity of foreign associates and joint ventures at the exchange rates at the reporting date, and on translation of the share of profit/ loss for the year from average exchange rates to the exchange rates at the reporting date, are recognised in other comprehensive income and presented in equity under Translation reserve.

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.

Note

1 Accounting policies · continued

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 presented in equity under Translation reserve. 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 recognised 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 presented in equity under Hedging reserve. 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 recognised as Interest income or expense.

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 or expense.

Received and paid fees and commissions result from trading with equities, derivative financial instruments and from assets under management. Fees and commissions are recognised 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 investment securities including realised and unrealised fair value changes, foreign exchange rate adjustments and fair value adjustments to investment properties.

Other income
Other income includes items that are secondary to the Group's activities. This includes operating income from non-financial activities, gain on step acquisitions, gain from divestments, 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 in Staff costs and administrative expenses, including the value of share-based payments.

Share-based payments
The Board of Directors, the Board of Management and other employees have been granted warrants. The warrants are measured at fair value at the grant date and are recognised as an expense in Staff costs and administrative expenses over the vesting period. Expenses are set off against shareholders' equity.

The fair value of the warrants is measured using the Black-Scholes valuation method or other generally accepted valuation techniques. The calculation takes into account the terms and conditions under which the warrants are granted. Subsequent fair value adjustments are not recognised in the income statement.

If subsequent modifications to a warrant program increase the value of the warrants granted, measured before and after the modification, the increase is recognised as an expense. If the modification occurs before the vesting period the increase in value is recognised as an expense over the period for services to be received. If the modification occurs after vesting date, the increase in value is recognised as an expense immediately.

Consideration received for warrants sold are recognised directly in equity.

Other expenses
The Group participates in the Danish Deposit Guarantee Fund, Danish Resolution Fund and Guarantee Schemes in other jurisdictions. Guarantee commission and provision to cover possible losses under the schemes are recognised in Other expenses.

Loss on step acquisitions, loss from divestments and adjustments to contingent considerations is recognised in Other expenses.

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

Income from associates and joint ventures
Income from associates and joint ventures comprise the Group's share of the profit and loss after tax.

Note

1 Accounting policies · continued

Income taxes
Income tax for the year consists of current tax and changes in deferred tax and is recognised in profit for the year, other comprehensive income or equity.

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 an on-account tax scheme.

STATEMENT OF FINANCIAL POSITION

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date.

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 financial assets or liabilities.
• *Level 2 – Observable input:*	Valuation techniques based on inputs, other than quoted prices included within level 1, that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• *Level 3 – Non-observable input:*	Valuation techniques based on inputs for the assets or liabilities that are not based on observable market data. The valuation is primarily based on generally accepted valuation techniques.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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

The fair value of derivatives is adjusted for credit risk related to the counterpart to the derivative.

If an active market exists, the Group measures the fair value of trading assets and trading liabilities using the quoted market prices for the instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. 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 are applied on the open net position, respectively.

When there is no quoted price in an active market, the fair value is established using valuation techniques. Valuation techniques range from discounted cash flow analysis to complex option pricing models and third party pricing information.

Loans and other receivables 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 other receivables are measured at amortised cost less impairment.

Note

1 Accounting policies · continued

Impairment of loans or receivables

If objective evidence of impairment of a loan or a 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 subsequently.

Loans, receivables and amounts due are tested individually for impairment on an ongoing basis and at least on a quarterly basis.

Loans and receivables (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 receivables with similar credit characteristics. The loans and receivables are divided into portfolios based on current ratings.

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

Impairment charges for loans are recognised in an allowance account and set off against loans. Impairment charges for loans are recognised in Impairment charges for loans and other receivables etc. in the income statement. If subsequent events show that impairment is not permanent, charges are reversed. Loans that are considered uncollectible are written off. Write-offs are debited to the allowance account. Loans are written off once the usual collection procedure has been completed and the loss on the individual loan can be calculated.

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

Assets held for sale
Assets held for sale comprises non-current assets and disposal groups held for sale. A disposal group is defined as a group of assets to be disposed of by sale or otherwise together as a group in a single transaction.

Liabilities classified as held for sale are those directly associated with the assets that will be transferred in the transaction.

Assets are classified as held for sale when the carrying amount of the assets is expected to primarily be recovered through a sale within 12 months from the reporting date in accordance with a formal plan rather than through continuing use. Such assets are measured at the lower of their carrying amount at the date of reclassification and their fair value less expected costs to sell.

Intangible assets and tangible assets once classified as held for sale are not amortised or depreciated.

Investments in associates
Investments in associates are recognised in accordance with the equity method, and measured at the proportionate share of the net asset value of the associates including the carrying amount of goodwill at the reporting date.

Investments in joint ventures
Investments in joint ventures are recognised in accordance with the equity method, and measured at the proportionate share of the net asset value of joint venture at the reporting date.

Intangible assets
Goodwill arises on the acquisition of subsidiaries and associates and is calculated as the difference between the fair value of the consideration transferred and the fair value of the net assets, including contingent liabilities, at the date of acquisition. Subsequently goodwill is measured at cost less impairment. Goodwill related to associates is recognised in 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 exceed the cost. Cost is defined as development costs incurred to make the software 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 salaries 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 fair value and amortised over the expected useful life:

Software	3-5 years
Client relationships and trademarks	4-15 years

Goodwill and assets with indefinite useful life are not amortised, but tested for impairment at least annually. The first impairment test is performed no later than at the end of the acquisition 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 Depreciation, amortisation and impairment of intangible and tangible assets in the income statement.

Note

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 reporting date. An increase in the carrying amount as a result of a revaluation is recognised in other comprehensive income and presented in equity under Revaluation reserve. If an increase in the carrying amount due to revaluation 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, except from when the decrease reverses a previous revaluation increase recognised in equity, then it is recognised in equity.

The fair value of investment and domicile properties is determined by applying 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 are measured at cost, less accumulated depreciation and impairment. The tangible assets are depreciated on a straight-line basis over the estimated useful life:

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

Tangible assets are tested for impairment if indications of impairment exist. Tangible assets are written down to its recoverable amount, if the carrying amount exceeds the higher of the fair value less costs to sell and the 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.

Margin trading clients may place deposits which due to local requirements are deposited and segregated with external credit institutions acting as trustees. These deposits are not at present obligations for the Group and not recognised in the consolidated statement of financial position.

Pension plans

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 expected 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 Other assets or Other liabilities.

Provisions

Provisions are recognised when, as a result of events arising before or at the reporting date, 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.

Subordinated debt

Subordinated debt is comprised of Tier 2 capital instruments which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until the claims of ordinary creditors have been met.

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

Tax

Current tax asset and liability is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income for previous years and for tax paid on account.

Note

1 Accounting policies · continued

Deferred tax is measured in accordance with the liability method and comprises all temporary differences between the accounting and the tax values of assets and liabilities. Deferred tax is not recognised on temporary differences relating to goodwill that is not deductible for tax purposes and other items for which temporary differences have arisen at the time of acquisition without affecting either the profit/loss for the year or the taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured based on management's intended use of the assets or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised at the expected value of their utilisation: either as offset against tax on future income or as offset against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset current tax liabilities and tax assets or intends to settle current tax liabilities and tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Deferred tax is measured on the basis of the tax regulations and tax rates enacted or substantively enacted at the reporting date. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or statement of comprehensive income.

Shareholders' equity
Translation reserve
The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities arisen on or after 1 January 2010. The reserve also includes translation of derivative financial instruments 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.

Revaluation reserve
The revaluation reserve comprises revaluations of domicile properties after the recognition of deferred tax. Subsequent depreciation net of tax of the revaluation is transferred from the revaluation reserve to retained earnings.

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 in 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 in Shareholders' equity.

Additional tier 1 capital
Additional tier 1 capital under Equity comprises proceed received at the date of issuance and accrued interest not yet paid to the holders.

Tier 1 capital issued includes no contractual obligation to deliver cash or another financial asset to the holders, as Saxo Bank A/S may, at its sole discretion, omit payment of interest and principal payments to the bond holders. Therefore, the issue does not qualify as a financial liability according to IAS 32. The net amount received at the date of issue is recognised as an increase in equity. Interest payments are accounted for as dividends which are recognised directly in equity at the time the payment obligations arises. If Saxo Bank A/S chooses to redeem the bonds, equity will be reduced by the redemption amount at the date of redemption.

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

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 in hand and demand deposits with central banks and amounts due from credit institutions and central banks within three months.

Note

1 Accounting policies · continued

UPCOMING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS

IASB has published the following standards and amendments to existing standards that are not yet mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2016:

- IFRS 14: Regulatory Deferral Accounts
- IFRS 16: Leases
- Amendments to IAS 7: Disclosure Initiative
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 10 and IAS 28: Sale and Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- IFRIC 22: Foreign Currency Transactions and Advance Consideration

The Group adopts the new standards and amendments when they become mandatory in the EU.

IFRS 9 Financial Instruments
IFRS 9 is mandatory in the EU. From 1 January 2018, the Group will implement the accounting standard. The standard provides principles for classification and measurement of financial instruments, provisioning for expected credit losses and the general hedge accounting model.

The main impact of the standard is determined to be related to the introduction of an expected credit loss impairment model that will require earlier recognition of expected credit losses. Specifically, the standard requires the Group to account for 12-month expected credit losses at the initial recognition of a financial instrument and to make an earlier recognition of lifetime expected credit losses.

The analysis of the expected impact of the implementation of IFRS 9 has not yet been completed.

None of the other standards and amendments are expected to have a material impact on the consolidated financial statements.

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 other receivables
- measurement of goodwill and other intangible assets
- recognition and measurement of tax assets and liabilities
- measurement of domicile properties - revaluation

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 quoted market prices 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 based on observable market data, such as client positions with counterparty credit risk, unlisted equities and certain bonds for which there is no active market, are subject to estimates.

The fair value of derivative financial instruments is adjusted for credit risk related to the counterpart of the derivative.

Classification of financial instruments using the fair value hierarchy and changes to fair value level due to unobservable adjustments are disclosed in note 28 Accounting classifications and valuation of financial instruments.

Measurement of loans and other receivables
The Group recognises impairment charges to account for any impairment of loans and other receivables 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

Note

2 Critical accounting estimates and judgements · continued

of loans with objective evidence of impairment, expected future cash flows and the 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.

Impairment charges DKK 97 million for loans and other receivables is recognised in 2016 (2015: DKK 40 million). The increase in impairment primarily relates to lending activities in the Group's retail bank.

The Risk management section provides more details on impairment and credit exposure for loans and other receivables, on rating of loans portfolio and collateral held.

Measurement of goodwill and other intangible assets
Goodwill is tested for impairment if indication of impairment exists or at least annually. 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.

No impairment loss related to goodwill and customer contracts is recognised in 2016 (2015: DKK 115 million).

Other intangible assets are tested if there are indications of impairment. Impairment testing requires that management estimates future cash flows from the intangibles. A number of factors affect the value of such cash flows, including discount rates, expected useful life, economic development and other variables.

In 2016 impairment losses of DKK 10 million related to other intangible assets are recognised (2015: DKK 84 million).

Note 17 Impairment test provides more information on impairment test.

Recognition and measurement of tax assets and liabilities
Tax assets and liabilities are recognised and measured on the basis of tax regulation enacted and interpretations thereof in each of the jurisdictions where the Group operates. Adjustments to the recognition and measurement of the Group's tax assets and/or liabilities may arise as a consequence of changes in tax regulation or interpretations.

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 is based on management's assessment of the probability and amount of future taxable profit for entities with unused tax losses. The deferred tax assets are measured at the tax rate that applies to the period, when the deferred tax assets are expected to be utilised.

The negative result in 2015 resulted in an increase in deferred tax assets related to tax losses carried forward. The tax asset related to tax losses carried forward has decreased in 2016 from DKK 123 million 31 December 2015 to DKK 47 million at 31 December 2016. The deferred tax assets related to tax losses carried forward are offset with deferred tax liabilities in the statement of financial position if they relate to the same tax jurisdiction.

Note 12 Tax provides more information on income tax.

Measurement of domicile properties
Measurement of domicile properties is not based on observable market data and subject to judgements.

Note 18 Tangible assets provides more details on the key input for determining the fair value of the domicile properties.

Note	(DKK 1,000)	2016	2015
3	**Interest income**		
	Credit institutions and central banks	45,576	58,872
	Loans and other receivables	141,549	153,663
	Bonds	146,841	115,962
	Derivative financial instruments	974,657	933,463
	Other interest income	2,524	2,166
	Total interest income	**1,311,147**	**1,264,126**
	Interest accrued on impaired loans and other receivables amounts to DKK 2.7 million (2015: DKK 5.8 million).		
4	**Interest expense**		
	Credit institutions and central banks	(62,271)	(59,562)
	Deposits	(13,166)	(22,845)
	Subordinated debt	(60,067)	(46,289)
	Guarantor capital	-	(13,646)
	Derivative financial instruments	(46,634)	(59,411)
	Other interest expense	(109)	(87)
	Total interest expense	**(182,247)**	**(201,840)**
5	**Fee and commission income**		
	Trading with equities and derivative financial instruments	1,197,431	1,163,819
	Payment services fees	5,685	5,548
	Origination fees	32,890	31,870
	Guarantee commissions	1,465	1,666
	Asset management fees	17,730	28,091
	Other fee and commission income	27,422	31,893
	Total fee and commission income	**1,282,623**	**1,262,887**
6	**Fee and commission expense**		
	Trading with equities and derivative financial instruments	(881,804)	(972,612)
	Total fee and commission expense	**(881,804)**	**(972,612)**
7	**Price and exchange rate adjustments**		
	Bonds	(112,861)	(81,448)
	Investment securities	(2,777)	2,337
	Foreign exchange	1,150,151	427,241
	Derivative financial instruments[1]	365,584	428,114
	Investment properties	(128)	(2,114)
	Total price and exchange rate adjustments	**1,399,969**	**774,130**

[1] Other than foreign exchange

Net income from Price and exchange rate adjustments related to Foreign exchange has increased to DKK 1,150 million in 2016 from DKK 427 million in 2015. In 2015 the Foreign exchange was negatively affected by the removal of the fixed floor between the Swiss franc and the Euro in January 2015, which resulted in a net loss of approximately DKK 0.7 billion. The net loss was primarily due to credit value adjustments related to foreign exchange contracts with clients who were unable to cover their losses on positions in Swiss franc.

Price and exchange rate adjustments related to derivative financial instruments are in 2016 not affected by credit value adjustments (2015: DKK 58 million).

Note	(DKK 1,000)	2016	2015
8	**Other Income**		
	Gain on divestments	18,852	29,928
	Other	9,395	10,743
	Total other income	**28,247**	**40,671**
9	**Staff costs and administrative expenses**		
	Staff costs	(1,153,929)	(1,205,735)
	Administrative expenses	(929,901)	(1,091,097)
	Total staff costs and adminstratives expenses	**(2,083,830)**	**(2,296,832)**
	Staff costs		
	Salaries	(1,063,912)	(1,124,872)
	Share-based payments	(8,774)	(10,243)
	Defined benefit plans	(6,062)	(6,254)
	Defined contribution plans	(81,368)	(77,837)
	Social security expenses and financial services employer tax	(124,372)	(117,751)
	Staff costs transferred to software under development	130,559	131,222
	Total staff costs	**(1,153,929)**	**(1,205,735)**
	Number of full-time-equivalent staff (avg.)	**1,591**	**1,494**
	Note 33 provides information on Remuneration of management and significant risk takers.		
10	**Audit fees**		
	Fees for statutory audit	(3,703)	(3,414)
	Fees for assurance engagements other than audit	(1,008)	(903)
	Fees for tax advisory services	(349)	(944)
	Fees for other services	(1,675)	(1,622)
	Total audit fees	**(6,735)**	**(6,883)**
	Fees related to the audit firm appointed at the Annual General Meeting. Audit fees are included in administrative expenses.		
11	**Impairment charges loans and receivables etc.**		
	Loans and receivables etc.	(103,450)	(42,240)
	Reversal of impairment from previous years	6,634	1,852
	Total impairment charges loans and receivables etc.	**(96,816)**	**(40,388)**

Note	(DKK 1,000)	2016	2015
12	**Tax**		
	Reconciliation of effective tax rate		
	Profit before tax	418,203	(778,361)
	Tax using the Danish tax rate 22% (2015: 23.5%) including CFC tax	(92,005)	182,915
	Effect of tax rates higher than 22% in foreign jurisdictions	(9,634)	(11,105)
	Changes in deferred tax from change in tax rate	203	(7,238)
	Non tax-deductible expenses	(12,381)	(29,500)
	Tax-exempt income	3,401	11,246
	Impairment	(699)	(1,627)
	Non exempted withholding tax	(2,458)	(6,005)
	Effect of tax on income from associates	-	(12,478)
	Adjustments to tax previous years	(2,182)	7,514
	Total income tax recognised in income statement	**(115,755)**	**133,722**
	Effective tax rate	**27.7%**	**17.2%**

2016	**Income statement**	**Other comprehensive income**	**Directly in equity**	**Total**
Current tax	(78,901)	(106)	-	(79,007)
Changes in deferred tax for the year	(32,417)	13	7,182	(25,222)
Changes in deferred tax from change in tax rate	203	-	-	203
Non exempted withholding tax	(2,458)	-	-	(2,458)
Adjustment to previous years	(2,182)	-	-	(2,182)
Total	**(115,755)**	**(93)**	**7,182**	**(108,666)**

2015	**Income statement**	**Other comprehensive income**	**Directly in equity**	**Total**
Current tax	(41,255)	-	-	(41,255)
Changes in deferred tax for the year	180,706	11,535	7,671	199,912
Changes in deferred tax from change in tax rate	(7,238)	-	-	(7,238)
Non exempted withholding tax	(6,005)	-	-	(6,005)
Adjustment to previous years	7,514	-	-	7,514
Total	**133,722**	**11,535**	**7,671**	**152,928**

Note (DKK 1,000)

12 Tax · continued

Tax recognised in Other comprehensive income

2016	Before tax	Tax	Net of tax
Exchange rate adjustments	(13,573)	-	(13,573)
Hedge of net investments in foreign entities	22,146	(4,892)	17,254
Fair value adjustment of cash flow hedges	(41)	(106)	(147)
Remeasurement of defined benefit plans	(25,231)	4,905	(20,326)
Total	**(16,699)**	**(93)**	**(16,792)**

2015	Before tax	Tax	Net of tax
Exchange rate adjustments	125,149	-	125,149
Hedge of net investments in foreign entities	(63,118)	14,833	(48,285)
Fair value adjustment of cash flow hedges	10,943	(2,695)	8,248
Remeasurement of defined benefit plans	3,259	(603)	2,656
Other comprehensive income from associates, net of tax	13	-	13
Total	**76,246**	**11,535**	**87,781**

Deferred tax assets and deferred tax liabilities	2016	2015
Deferred tax at 1 January, net	54,711	(142,243)
Change in deferred tax for the year	(25,222)	199,912
Change in deferred tax from change in tax rate	203	(7,238)
Adjustments to previous years	1,246	2,249
Exchange rate adjustments	245	2,031
Deferred tax at 31 December, net	**31,183**	**54,711**

	Deferred tax assets		Deferred tax liabilities		Total deferred tax	
	2016	2015	2016	2015	2016	2015
Intangible assets	(4)	(124,186)	(64,247)	-	(64,251)	(124,186)
Tangible assets	45	3,495	6,532	-	6,577	3,495
Tax losses carried forward	27,651	123,264	18,865	-	46,516	123,264
Provisions	14,252	53,538	28,089	(1,400)	42,341	52,138
Total	**41,944**	**56,111**	**(10,761)**	**(1,400)**	**31,183**	**54,711**

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

Deferred tax assets DKK 47 million (2015: DKK 123 million) are recognised for tax losses carried forward only to the extent that the realisation of the related benefit is probable. Tax losses of DKK 23 million (2015: DKK 26 million) expires 31 December 2022.

Unrecognised tax assets amount to DKK 1 million (2015: DKK 1 million). These relate to tax losses which are not expected to be utilised in the foreseeable future. The unrecognised tax assets do not expire.

Note	(DKK 1,000)	2016	2015
13	**Receivables from credit institutions and central banks**		
	Demand deposits	2,275,952	1,634,915
	Within 3 months	152,134	95,785
	From 3 -12 months	9,258	5,124
	More than 12 months	5,168	-
	Total receivables from credit institutions and central banks	**2,442,512**	**1,735,824**
	Amounts due within three months DKK 2.43 billion (2015: DKK 1.73 billion) are included in the Cash flow statement as Cash and cash equivalents.		
14	**Trading assets and liabilities**		
	Listed bonds	25,112,340	19,076,397
	Derivative financial instruments with positive fair value	5,987,595	5,230,430
	Other securities (unlisted)	4,540	4,762
	Total trading assets	**31,104,475**	**24,311,589**
	At 31 December 2016, DKK 8,736 million (2015: DKK 2,443 million) of trading assets are expected to be recovered more than 12 months after the reporting date.		
	Derivative financial instruments with negative fair value	3,036,757	2,536,624
	Total trading liabilities	**3,036,757**	**2,536,624**
	At 31 December 2016 and 2015, all trading liabilities are expected to be settled within 12 months after the reporting date.		
15	**Loans and other receivables at amortised cost**		
	Trading clients	36,161	38,924
	Lending clients	1,655,326	1,754,098
	Total loans and other receivables at amortised cost	**1,691,487**	**1,793,022**
	Demand deposits	388,817	268,967
	Within 3 months	85,473	136,957
	From 3 - 12 months	241,424	273,832
	From 1 - 5 years	312,816	395,891
	More than 5 years	662,957	717,375
	Total loans and other receivables at amortised cost	**1,691,487**	**1,793,022**

Note (DKK 1,000)

16 Intangible assets

2016	**Goodwill**	**Software under de-velopment**	**Software developed**	**Software purchased**	**Client re-lationships**	**Other**	**Total**
Cost at 1 January	1,031,324	24,229	2,179,545	119,056	74,864	8,951	3,437,969
Additions	-	230,400	2,351	3,859	-	-	236,610
Transfers from internal development	-	(245,456)	245,456	-	-	-	-
Disposals	-	-	-	(213)	-	-	(213)
Exchange rate adjustments	8,786	-	(21)	208	268	(1,287)	7,954
Cost at 31 December	**1,040,110**	**9,173**	**2,427,331**	**122,910**	**75,132**	**7,664**	**3,682,320**
Amortisation and impairment at 1 January	(79,849)	-	(1,515,411)	(99,382)	(65,005)	(10)	(1,759,657)
Amortisation	-	-	(279,688)	(12,304)	(2,040)	(2)	(294,034)
Impairment losses [1)]	-	-	(2,110)	-	-	(7,645)	(9,755)
Disposals	-	-	1	213	-	-	214
Exchange rate adjustments	-	-	20	(161)	(268)	(2)	(411)
Amortisation and impairment at 31 December	**(79,849)**	**-**	**(1,797,188)**	**(111,634)**	**(67,313)**	**(7,659)**	**(2,063,643)**
Carrying amount at 31 December	**960,261**	**9,173**	**630,143**	**11,276**	**7,819**	**5**	**1,618,677**

2015	**Goodwill**	**Software under de-velopment**	**Software developed**	**Software purchased**	**Client re-lationships**	**Other**	**Total**
Cost at 1 January	972,083	19,875	1,966,094	112,783	72,203	10,008	3,153,046
Additions	-	217,871	-	5,760	-	-	223,631
Transfers from internal development	-	(213,517)	213,517	-	-	-	-
Disposals	-	-	(49)	(296)	-	-	(345)
Exchange rate adjustments	59,241	-	(17)	809	2,661	(1,057)	61,637
Cost at 31 December	**1,031,324**	**24,229**	**2,179,545**	**119,056**	**74,864**	**8,951**	**3,437,969**
Amortisation and impairment at 1 January	(25,000)	-	(1,111,587)	(85,064)	(60,304)	(8)	(1,281,963)
Amortisation	-	-	(319,546)	(13,783)	(2,040)	(1)	(335,370)
Impairment losses [1)]	(54,849)	-	(84,342)	(149)	-	-	(139,340)
Disposals	-	-	49	296	-	-	345
Exchange rate adjustments	-	-	15	(682)	(2,661)	(1)	(3,329)
Amortisation and impairment at 31 December	**(79,849)**	**-**	**(1,515,411)**	**(99,382)**	**(65,005)**	**(10)**	**(1,759,657)**
Carrying amount at 31 December	**951,475**	**24,229**	**664,134**	**19,674**	**9,859**	**8,941**	**1,678,312**

[1)] For details of impairment losses, see note 17 Impairment test.

In 2016, the Group expensed DKK 8.8 million (2015: DKK 7.6 million) for development projects, primarily planning costs.

Note (DKK 1,000)

17 Impairment test

Goodwill

The Group's goodwill is tested for impairment, if indication hereof, or at least once a year. For the purpose of the impairment test, 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 impairment test compares the carrying amount and the recoverable amount. The recoverable amount is represented by the present value of expected future cash flows (value in use). The special debt structure of financial institutions requires the use of the discounted dividend model to calculate the present value of expected future cash flows. For non-financial CGU's a discounted cash flow model is applied.

Key assumptions applied in the impairment test for CGU's with significant goodwill are presented below.

2016	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
Saxo Bank (Switzerland) AG	383,307	0.44%	6.90%	8.53%
Saxo Privatbank A/S	245,681	1.88%	8.50%	9.89%
Other	331,273	-	-	-
Total	**960,261**			

2015	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
Saxo Bank (Switzerland) AG	379,232	0.61%	6.90%	9.02%
Saxo Privatbank A/S	245,681	1.98%	8.50%	9.71%
Other	326,562	-	-	-
Total	**951,475**			

The cash flow projections are based on earnings estimates for each of the CGUs for a 5-year forecast period. Anchor Forecast for 2017 approved by the Board of Directors is applied for the first year of the forecast period, and for entities with normalised earnings a growth rate of 1% in year 2-5 is applied for both revenue and cost. For entities where earnings are not considered to be at a normalised level in 2017, the estimated earnings from 2018 onwards are projected on the basis of business plans.

For the terminal period the 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. The CGU specific discount rate, which is calculated net of tax, is generally based on a 10 year government bond of the respective countries in which the CGU is located.

Impairment test results 2016

No impairment is recognised on goodwill in 2016.

Impairment test results 2015

The impairment test in 2015 resulted in recognition of total impairment losses of DKK 115 million on goodwill and customer contracts.

DKK 50 million related to the investment in Saxo Bank (Switzerland) AG, mainly attributable to an increase in the carrying amount of goodwill due to the significant increase in the Swiss franc in 2015 and increase in local regulatory capital requirement. The recoverable amount of goodwill relating to Saxo Bank (Switzerland) AG was DKK 379 million as of 31 December 2015 based on value in use calculation.

An impairment loss of DKK 60 million was recognised on goodwill and customer contracts related to the investment in Banco Best S.A. (25% ownership). The impairment loss was due to continuous uncertainties related to the future structure and earnings of the company and accordingly an increase in discount rate. The impairment loss was recognised in the income statement under Income from associates and joint ventures. The investment (25% ownership) was subsequently divested in 2015.

Furthermore, an impairment loss of DKK 5 million was recognised on goodwill related to Saxo Capital Markets CY Limited. The impairment loss was attributable to wind-up of the company.

Note (DKK 1,000)

17 Impairment test · continued

Key assumptions

The carrying amount of goodwill related to Saxo Bank (Switzerland) AG represents 40% of the total goodwill. In the impairment test a revenue growth of 4% in 2017 and 7% year on year for 2018-2021 and steady cost base due to the business scalability is applied. In the terminal period a growth of 0.4% is applied for both revenue and costs. For Saxo Bank (Switzerland) AG the excess value (the amount by which the recoverable amount exceeds the carrying amount of goodwill) amounts to DKK 63 million. A sensitivity analysis shows that if the growth rate in the terminal period decline from 0.4% to -0.3% or the discount rate post tax increases from 6.9% to 7.4% all other things equal the excess value would be zero.

The carrying amount of goodwill related to Saxo Privatbank A/S represents 26% of the total goodwill. An improvement in net profit is expected for Saxo Privatbank A/S for 2017 compared to 2016 primarily due to that the net profit in 2016 was impacted by material impairment charges on loans. The expected average growth in revenue applied for the period 2018-2023 is approximately 3% year on year. In the terminal period a growth rate of 1.9% is applied. For Saxo Privatbank A/S the excess value amounts to DKK 51 million. A sensitivity analysis shows that if the growth rate in the terminal period decline from 1.9% to 1.2% or the discount rate post tax increases from 8.5% to 9.0% all other things equal the excess value would be zero.

Intangible assets other than goodwill and property, plant and equipment

Other intangible assets than goodwill and property, plant and equipment are tested if there are indications of impairment.

In 2016 impairment losses of DKK 10 million (2015: DKK 84 million) were recognised, related to a number of investments in software and a license attributable to change in future use and uncertainties related to future economic benefit. The recoverable amount of the impaired intangibles was DKK 0 million (2015: DKK 0 million).

Note (DKK 1,000)

18 Tangible assets

2016	Domicile properties	Leasehold improve-ments	Fixtures, equipment and vehicles	IT equipment	Total
Cost or valuation at 1 January	759,469	133,792	134,308	290,177	1,317,746
Additions	284	4,456	3,643	20,165	28,548
Disposals	-	(5,685)	(10,319)	(13,124)	(29,128)
Exchange rate adjustments	-	(38)	210	80	252
Cost or valuation at 31 December	**759,753**	**132,525**	**127,842**	**297,298**	**1,317,418**
Depreciation and impairment losses at 1 January	(43,268)	(116,748)	(98,482)	(254,693)	(513,191)
Depreciation	(11,699)	(8,309)	(6,123)	(20,516)	(46,647)
Impairment	-	-	(167)	-	(167)
Disposals	-	5,495	8,964	12,945	27,404
Exchange rate adjustments	-	(101)	(221)	(188)	(510)
Depreciation and impairment at 31 December	**(54,967)**	**(119,663)**	**(96,029)**	**(262,452)**	**(533,111)**
Carrying amount at 31 December	**704,786**	**12,862**	**31,813**	**34,846**	**784,307**

The fair value of the Group's domicile properties rely on non-observable input. The domicile properties are measured by applying an asset return model. The key input in the asset return model is the rate of return and market rent. The applied rate of return is determined on the basis of its location, potential use, condition and terms of lease. Fair value decreases with DKK 60.5 million (2015: 59.7 million) if the rate of return increases with 0.5 percentage point.

At 31 December 2016 the fair value of the domicile properties was reassessed. No fair value adjustment was recognised in 2016 or 2015. No independent valuer has been involved.

	2016	2015
Domicile properties		
Rate of return applied in the fair value calculation	5.10%	5.05%
Carrying amount if the domicile properties were carried under the cost method	636,172	646,338

Note (DKK 1,000)

18 Tangible assets · continued

2015	**Domicile properties**	**Leasehold improve-ments**	**Fixtures, equipment and vehicles**	**IT equipment**	**Total**
Cost or valuation at 1 January	768,924	125,030	143,157	275,949	1,313,060
Additions	1,365	6,166	3,211	24,847	35,589
Disposals	-	(1,667)	(14,876)	(13,652)	(30,195)
Transfers	(10,820)	340	(228)	228	(10,480)
Exchange rate adjustments	-	3,923	3,044	2,805	9,772
Cost or valuation at 31 December	**759,469**	**133,792**	**134,308**	**290,177**	**1,317,746**
Depreciation and impairment losses at 1 January	(36,438)	(103,301)	(97,373)	(239,783)	(476,895)
Depreciation	(11,674)	(10,920)	(11,752)	(25,943)	(60,289)
Impairment	-	-	-	(137)	(137)
Disposals	-	1,180	13,083	13,601	27,864
Transfers	4,844	-	138	(138)	4,844
Exchange rate adjustments	-	(3,707)	(2,578)	(2,293)	(8,578)
Depreciation and impairment at 31 December	**(43,268)**	**(116,748)**	**(98,482)**	**(254,693)**	**(513,191)**
Carrying amount at 31 December	**716,201**	**17,044**	**35,826**	**35,484**	**804,555**

Note	(DKK 1,000)	2016	2015
19	**Debt to credit institutions and central banks**		
	Debt on demand	6,632,872	2,442,115
	Within 3 months	7,136	1,390
	From 3 - 12 months	21,204	4,080
	More than 12 months	331,400	359,896
	Total debt to credit institutions and central banks	**6,992,612**	**2,807,481**
	Debt on demand include DKK 134 million (2015: DKK 0 million) placed as collateral for unrealised client trading positions as at 31 December, see note 27 Offsetting financial assets and liabilities.		
20	**Deposits**		
	Deposits	27,022,423	21,805,030
	Term deposits	128,693	141,805
	Time deposits	16,811	16,631
	Special deposits	762,466	771,167
	Total deposits	**27,930,393**	**22,734,633**
	Deposits on demand	26,942,637	21,738,855
	Within 3 months	308,677	300,764
	From 3 - 12 months	13,473	11,662
	From 1 - 5 years	65,557	65,164
	More than 5 years	600,049	618,188
	Total deposits	**27,930,393**	**22,734,633**
	Deposits on demand include DKK 3,457 million (2015: DKK 3,356 million) placed as collateral for unrealised client trading positions as at 31 December, see note 27 Offsetting financial assets and liabilities.		
21	**Provisions**		
	Provisions at 1 January	129,038	60,176
	Additional provisions recognised	10,082	98,898
	Used during the year	(4,898)	(27,871)
	Reversal of unused provisions	(13,512)	(2,427)
	Exchange rate adjustments	(82)	262
	Provisions at 31 December	**120,628**	**129,038**

At 31 December 2016 DKK 68.6 million (2015: DKK 83.6 million) of provisions are expected to be settled more than 12 months after the reporting date.

The provision comprises litigations, claims and restructuring costs including costs for reorganisation of the Group's operations as well as various other obligations incurred in the normal course of business such as provision for onerous contracts etc.

Note (DKK 1,000)

22 **Pension plans**

The Group has entered into 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 has defined benefit plans in Switzerland. An 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 partly funded. The defined benefit plans are based on years of service, and retirement benefits depend on the funding determined on the basis of salary and contribution rates plus interest.

Defined benefit plans	**2016**	**2015**
Recognition in Statement of financial position		
Present value of defined benefit obligations	114,385	62,311
Fair value of plan assets	(67,619)	(42,632)
Net obligation recognised	**46,766**	**19,679**
Breakdown of plan assets		
Equities securities	25.98%	27.02%
Debt securities	42.34%	41.19%
Properties	10.93%	11.03%
Other	20.75%	20.76%
Total	**100.00%**	**100.00%**
Actuarial assumptions		
Discount rate	0.25%	0.75%
Expected return on plan assets	0.25%	0.75%
Future salary increases	1.00%	1.00%

The discount rate is based on market yield of high-quality corporate bonds with maturity approximating to 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.

The Group expects to pay DKK 4.6 million in contribution to defined benefit plans during 2017 (2016: DKK 3.9 million).

Note	(DKK 1,000)											2016	2015
23	**Subordinated debt**												
					Margin first period		**Margin second period**		**Margin third period**				
	Cur-rency	**Year of issue**	**Maturity**	**Interest**	**Rate**	**Years**	**Rate**	**Years**	**Rate**	**Years**			
	EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	3	-	-		-	7,463
	EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	3	-	-		-	52,243
	EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	3	-	-		-	89,559
	EUR	2007	15.09.2020	EURIBOR	2.95%	10	3.95%	3	-	-		111,517	111,949
	EUR	2007	15.09.2020	EURIBOR	2.95%	10	3.95%	3	-	-		74,345	74,632
	EUR	2015	14.04.2025	Fixed/EURIBOR[1)]	14.40%	0.25	12.00%	4.75	12.30%	5		343,215	338,224
	Total Tier 2 capital instruments											**529,077**	**674,070**

[1)] Interest is fixed in first and second margin period and EURIBOR apply in third margin period.

Hereof included in Total capital DKK 369.7 million (2015: DKK 430.7 million).

In case of the Group's voluntary or compulsory winding-up the Tier 2 capital instruments will not be repaid until the claims of ordinary creditors have been met. The ranking in coverage is that Tier 1 capital ranks below Tier 2 capital.

Early redemption of subordinated debt is subject to approval from the Danish Financial Supervisory Authority (DFSA).

In December 2016 the Group has redeemed nominal 20 EUR million of the subordinated debt by early redemption after approval from DFSA.

At 31 December 2016 DKK 529 million (2015: DKK 674 million) of subordinated debt are expected to be settled more than 12 months after the reporting date.

Convertible Tier 2 Capital
In 2015 Saxo Bank A/S issued for nominal EUR 50 million Subordinated Fixed Rate Resettable Convertible Tier 2 Notes with maturity date 14 April 2025. The Tier 2 notes can be optionally redeemed by Saxo Bank A/S from 14 April 2020. The Tier 2 notes issued in 2015 are eligible to constitute Tier 2 capital of Saxo Bank A/S under CRD IV. The Tier 2 notes are included in Tier 2 capital in the Statement of Total capital.

The Tier 2 notes will fully or partially be converted to ordinary shares if the CET 1 capital ratio of Saxo Bank A/S or Saxo Bank Group falls below 7% if write-down of CET 1 capital or conversion of Additional tier 1 or higher-tricker Tier 2 instruments into ordinary shares is insufficient to restore the CET 1 capital ratio above 7%. At 31 December 2016 the CET 1 capital ratio was 14.9% (2015: 14.8 %) for Saxo Bank Group and 18.8% (2015: 19.0 %) for Saxo Bank A/S. The ratios are disclosed in Statement of Total capital.

The Tier 2 notes constitute direct, unsecured and subordinated debt obligation of Saxo Bank A/S and rank alongside with any obligations or capital instruments issued by Saxo Bank A/S which constitutes Tier 2 capital.

Note 25 Equity provides information on Additional tier 1 capital accounted for as equity.

Note	(DKK 1,000)	2016	2015
24	**Other assets and other liabilities**		
	Other assets		
	Investment securities	36,890	39,287
	Accrued interests and commissions	65,017	40,831
	Prepayments	105,103	114,443
	Rent deposits	27,580	21,733
	Investment properties	4,400	4,500
	Other receivables	69,731	80,846
	Total other assets	**308,721**	**301,640**
	Other liabilities		
	Accrued interests	10,696	10,839
	Suppliers and other outstanding costs	264,783	256,213
	Staff commitments	215,047	241,047
	Interest swaps	79,360	79,844
	Defined benefit pension plans[1)]	46,766	19,679
	Provision for guarantees	7,380	698
	Other obligations	20,091	15,732
	Total other liabilities	**644,123**	**624,052**

[1)] Note 22 provides information on Defined benefit pension plans.

At 31 December 2016 DKK 64.1 million (2015: DKK 47.5 million) of other assets and DKK 136.3 million (2015: DKK 104.6 million) of other liabilities are expected to be settled more than 12 months after the reporting date.

Note	(DKK 1,000)	2016	2015
25	**Equity**		
	Number of shares outstanding		
	Shares outstanding at 1 January	68,216,237	66,493,101
	Shares issued during the year	-	1,665,462
	Net movement of treasury shares during the year	-	57,674
	Total shares outstanding at 31 December	**68,216,237**	**68,216,237**

At 31 December 2016 a total of 68,283,943 (2015: 68,283,943) shares with a nominal value of DKK 1 per share are issued and fully paid. No shares carry special rights.

Holding of treasury shares	Number of shares	Nominal value DKK	Percentage of issued shares	Sales/purchase price DKK (1,000)
At 1 January 2015	125,380	125,380	0.19%	
Purchased	1,162,382	1,162,382	1.74%	159,498
Sold	(1,220,056)	(1,220,056)	(1.83)%	(169,939)
Holding at 31 December 2015	**67,706**	**67,706**	**0.10%**	
Purchased/sold	-	-	-	-
Holding at 31 December 2016	**67,706**	**67,706**	**0.10%**	

No dividend has been declared and paid to shareholders of Saxo Bank A/S in 2016 or 2015. The treasury shares are planned to be part of the employee incentive schemes.

Additional tier 1 capital

Currency	Year of issue	Maturity	Interest	Nominal	Rate	Years	2016	2015
EUR	2014	Perpetual	Fixed	45,000	9.75%	5.25[1]	334,802	334,802
Equity accounted Additional tier 1 capital							**334,802**	**334,802**

[1] The interest rate is fixed the first five years and three months after issuance. Hereafter the interest rate is fixed every fifth year at the 5-year mid-swap rate plus 9.30% until redemption.

Equity accounted Additional tier 1 capital represents the nominal value translated into DKK at the exchange rate at issuance and equals the amounts included as Tier 1 capital in the Statement of capital.

The Perpetual Fixed Rate Resettable Additional tier 1 Capital notes are perpetual securities and have no fixed date for redemption. The notes can be optionally redeemed by Saxo Bank A/S on the first call date 26 February 2020 or on any interest payment date. Thereafter at their outstanding principal amount.

Saxo Bank A/S may, at its sole discretion, omit interest and principal payments to bond holders. Any interests must be paid out of distributable items in Saxo Bank Group and Saxo Bank A/S. The Additional tier 1 capital will be written down temporarily if the Common equity tier 1 ratio falls below 7% for Saxo Bank Group or Saxo Bank A/S. At 31 December 2016 the common equity tier 1 ratio was 14.9% (2015: 14.8%) for Saxo Bank Group and 18.8% (2015: 19.0%) for Saxo Bank A/S. The ratios are disclosed in Statement of Total capital.

As at December 2016, the Tier 1 capital notes including carrying interests included in equity amount to DKK 346 million (2015: DKK 346 million).

The issue is classified as an equity instrument and equity increased at the time of issue by the net proceeds received. Interest paid to the bond holders reduces equity at the time of payment and does not affect net profit. If capital is repaid, equity will be reduced by the repaid amount at the time of redemption.

Note (DKK 1,000)

26 Contractual due dates of financial liabilities

The following table analyses the contractual cash flows payable for the Group's financial liabilities including issued guarantees and other unutilised commitments. The maturity analysis is based on the earliest date the Group can be required to pay and does not reflect the expected due dates. 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 valid at the reporting date.

The financial liabilities balances in the table do not reconcile with the amounts reported in the consolidated statement of financial position as it incorporates all contractual cashflows, on an undiscounted basis, relating to both principal and interest payments.

2016	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	6,632,872	11,055	32,345	172,099	303,804	7,152,175
Deposits	26,942,639	308,688	13,501	66,157	604,164	27,935,149
Subordinated debt	-	13,613	40,839	548,418	355,853	958,723
Total financial liabilities	**33,575,511**	**333,356**	**86,685**	**786,674**	**1,263,821**	**36,046,047**
Guarantees	44,512	214,916	168,972	82,232	337,833	848,465
Loan commitments etc.	339,401	628,897	-	-	-	968,298
Total	**33,959,424**	**1,177,169**	**255,657**	**868,906**	**1,601,654**	**37,862,810**

2015	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	2,442,114	2,581	15,487	174,060	345,563	2,979,805
Deposits	21,738,855	300,956	11,704	66,195	653,993	22,771,703
Subordinated debt	-	15,193	45,579	568,463	555,943	1,185,178
Total financial liabilities	**24,180,969**	**318,730**	**72,770**	**808,718**	**1,555,499**	**26,936,686**
Guarantees	136,127	149,396	199,873	129,355	309,466	924,217
Loan commitments etc.	346,805	766,114	-	-	-	1,112,919
Total	**24,663,901**	**1,234,240**	**272,643**	**938,073**	**1,864,965**	**28,973,822**

Derivative financial instruments notional and net fair value is specified by maturity in the Risk Management section on page 95. 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 stopped out.

Note (DKK 1,000)

27 Offsetting financial assets and liabilities

2016	Gross amount	Offsetting	Net amount presented in the statement of financial position	Master netting agreements and smiliar agreements	Cash collateral	Financial collateral	Net amount
Financial assets							
Derivatives with positive fair value [1]	5,987,595	-	5,987,595	(1,722,400)	(3,591,052)	(116,844)	557,299
Total	**5,987,595**	**-**	**5,987,595**	**(1,722,400)**	**(3,591,052)**	**(116,844)**	**557,299**
Financial liabilities							
Derivatives with negative fair value [1]	3,036,757	-	3,036,757	(1,722,400)	-	(71,445)	1,242,912
Interest swaps [2]	79,360	-	79,360	-	-	(79,360)	-
Total	**3,116,117**	**-**	**3,116,117**	**(1,722,400)**	**-**	**(150,805)**	**1,242,912**

2015	Gross amount	Offsetting	Net amount presented in the statement of financial position	Master netting agreements and smiliar agreements	Cash collateral	Financial collateral	Net amount
Financial assets							
Derivatives with positive fair value [1]	5,230,430	-	5,230,430	(1,393,777)	(3,356,058)	(114,593)	366,002
Total	**5,230,430**	**-**	**5,230,430**	**(1,393,777)**	**(3,356,058)**	**(114,593)**	**366,002**
Financial liabilities							
Derivatives with negative fair value [1]	2,536,624	-	2,536,624	(1,393,777)	-	(197,798)	945,049
Interest swaps [2]	79,844	-	79,844	-	-	(79,844)	-
Total	**2,616,468**	**-**	**2,616,468**	**(1,393,777)**	**-**	**(277,642)**	**945,049**

[1] Recognised as Trading assets and liabilities in statement of financial position, see note 14.
[2] Recognised as Other liabilities in statement of financial position, see note 24.

The comparative figures for 2015 have been reclassified due to more specific information made available in 2016.

Cash collateral received is recognised in Deposits and Debt to credit institutions and and central banks in the statement of financial position, see note 19 and 20. Cash and financial collateral provided is part of Assets deposited as collateral in note 32.

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to offset recognised amounts and have agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to additional offset in the event of default. Such agreements reduce the exposure further in the event of default, but do not qualify for offsetting.

The Group determines a margin requirement for trading clients. The margin requirement maintained by the Group is for the purpose of providing collateral on derivative positions. The margin requirement is not offset with the clients' unrealised positions in the statement of financial position. In case of margin insufficiency the Group may close out all the client's margin trades and offset against collateral received.

The Group has deposited bonds as collateral for the Group's business with financial counterparts. The collateral varies from day to day with the development in open positions (net amount of derivative financial instruments with respectively positive and negative value).

Note (DKK 1,000)

28 Accounting classification and valuation of financial instruments

The accounting classification can be specified as follows:

	Fair value through profit and loss		Amortised cost		
2016	**Held for trading**	**Designated**	**Loans and other receivables**	**Liabilities**	**Total carrying amount**
Financial assets					
Cash in hand and demand deposits with central banks	-	-	5,577,707	-	5,577,707
Receivables from credit institutions and central banks	-	-	2,442,512	-	2,442,512
Trading assets	31,104,475	-	-	-	31,104,475
Loans and other receivables at amortised cost	-	-	1,691,487	-	1,691,487
Investment securities	-	36,890	-	-	36,890
Financial liabilities					
Debt to credit institutions and central banks	-	-	-	6,992,612	6,992,612
Trading liabilities	3,036,757	-	-	-	3,036,757
Deposits	-	-	-	27,930,393	27,930,393
Subordinated debt	-	-	-	529,077	529,077

	Fair value through profit and loss		Amortised cost		
2015	**Held for trading**	**Designated**	**Loans and other receivables**	**Liabilities**	**Total carrying amount**
Financial assets					
Cash in hand and demand deposits with central banks	-	-	2,808,010	-	2,808,010
Receivables from credit institutions and central banks	-	-	1,735,824	-	1,735,824
Trading assets	24,311,589	-	-	-	24,311,589
Loans and other receivables at amortised cost	-	-	1,793,022	-	1,793,022
Investment securities	-	39,287	-	-	39,287
Financial liabilities					
Debt to credit institutions and central banks	-	-	-	2,807,481	2,807,481
Trading liabilities	2,536,624	-	-	-	2,536,624
Deposits	-	-	-	22,734,633	22,734,633
Subordinated debt	-	-	-	674,070	674,070

Note (DKK 1,000)

28 Accounting classification and valuation of financial instruments · continued

Fair value hierarchy for financial instruments

2016	Quoted market price - Level 1	Observable input - Level 2	Non-observable input - Level 3	Total fair value	Total carrying amount
Financial assets[1]					
Trading portfolio bonds	25,112,340	-	-	25,112,340	25,112,340
Trading portfolio equities	1,540	-	3,000	4,540	4,540
Derivative financial instruments with positive value	1,938,955	3,774,868	273,772	5,987,595	5,987,595
Loans and other receivables at amortised cost	-	-	1,681,757	1,681,757	1,691,487
Investment securities	-	-	36,890	36,890	36,890
Financial liabilities					
Derivative financial instruments with negative value	1,565,931	1,470,826	-	3,036,757	3,036,757
Subordinated debt	-	-	492,473	492,473	529,077

2015	Quoted market price - Level 1	Observable input - Level 2	Non-observable input - Level 3	Total fair value	Total carrying amount
Financial assets[1]					
Trading portfolio bonds	19,076,398	-	-	19,076,398	19,076,398
Trading portfolio equities	1,762	-	3,000	4,762	4,762
Derivative financial instruments with positive value	2,090,168	2,857,590	282,672	5,230,430	5,230,430
Loans and other receivables at amortised cost	-	-	1,777, 237	1,777,237	1,793,022
Investment securities	-	-	39,287	39,287	39,287
Financial liabilities					
Derivative financial instruments with negative value	1,302,335	1,234,289	-	2,536,624	2,536,624
Subordinated debt	-	-	606,362	606,362	674,070

[1] Trading portfolio bonds, equities and derivatives are presented in the statement of financial position as Trading assets and Trading liabilities, note 14.

Financial instruments measured at fair value
Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices. Listed bonds, listed equities, futures, ETO's and CFD single equities are measured based on quoted prices (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 interbank quoted prices or valuation techniques. Interbank quoted prices are generally provided by several other financial institutions. The Group applies valuation techniques for FX instruments. Valuation techniques used are different option pricing models. In most cases the valuation is substantially based on observable input, such as interbank quoted prices and implied volatility (level 2).

Fair value for CFD contracts with clients where credit value adjustments are made is established by using the same valuation techniques as for level 2. This fair value is adjusted for credit value adjustment based on the client's worthiness. Investment securities are primarily measured based on third party pricing information (level 3).

The Group has an ongoing process of assessing the best valuation technique and changes in the valuation process are implemented when relevant. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Note (DKK 1,000)

28 Accounting classification and valuation of financial instruments · continued

Financial instruments measured at amortised cost
For the Group's financial assets and financial liabilities measured at amortised cost, the estimated fair value is based on changes in market conditions after initial recognition affecting the price that would have been fixed had the terms been agreed at the reporting date.

Fair value of loans and other receivables is primarily estimated on expected future payments, the basis of difference between the current market interest rate level and the loans as well as the difference between the expected and incurred loss on the loans.

For subordinated loans an estimate of the current return required by the market is applied to measure the fair value.

Financial instruments measured at fair value categorised into level 3 of the fair value hierarchy	**2016**	**2015**
Fair value at 1 January	324,959	405,146
Additions	7,950	5,357
Disposals	(11,100)	(40,471)
Gains and losses recognised in income statement:		
Fair value adjustments realised	(148)	498
Fair value adjustments unrealised	(7,999)	(45,571)
Fair value at 31 December	**313,662**	**324,959**

The fair value adjustments through income statement are recognised in Price and exchange rate adjustments.

At 31 December 2016, financial assets valued on the basis of non-observable input comprise:

• Client's open CFD contracts in level 3 after credit value adjustment amounts to DKK 274 million (2015: DKK 283 million). The accumulated unobservable credit value adjustment is DKK 444 million (2015: DKK 444 million). The fair value of DKK 274 million is fully covered by collateral of cash in foreign currency. The collateral is not subject to foreign currency exposure as this is hedged.

• Investment securities DKK 36.9 million (2015: DKK 39.3 million).

A 20% increase or decrease in the fair value of investment securities measured based on non-observable input would result in a gain or loss of DKK 7.4 million (2015: DKK 7.9 million).

Note (DKK 1,000)

29 Hedge accounting

Hedge of net investments
The Group hedges the exchange rate risk of net investments in certain foreign entities excluding goodwill by establishing hedge relationship between the net investments 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 future transactions.

At 31 December 2016 the fair value of the hedging instrument amounted to DKK 1,389 million (2015: DKK 1,273 million). The corresponding carrying amount of net investments hedged amounted to DKK 1,398 million (2015: DKK 1,283 million).

Cash flow hedge
The Group hedges the exposure to variability in future cash flows due to changes in interest rates on the Group's mortgage with a variable interest rate by establishing a hedge relationship between the debt and interest swaps designated as the hedging instruments. At 31 December 2016, the carrying amount of mortgage hedged amounted to DKK 360 million (2015: DKK 365 million) and the fair value of the hedging instruments amounted to DKK 79 million and nominal value DKK 314 million (2015: DKK 80 million and the nominal value DKK 336 million).

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

	2016	2015
Cash inflows		
Within 1 year	-	-
1-5 years	2,705	1,450
More than 5 years	10,474	1,422
Cash outflows		
Within 1 year	(15,425)	(16,130)
1-5 years	(48,904)	(53,150)
More than 5 years	(36,521)	(46,662)

During 2016 losses of DKK 14.1 million (2015: DKK 14.5 million) relating to cash flow hedge were transferred from equity to profit and loss and are reflected in interest expense. At 31 December 2016 net losses of DKK 0.04 million (2015: net gains of DKK 10.9 million) relating to the cash flow hedges were recognised in other comprehensive income.

	2016	2015
30 Operational leasing		
Future operating lease payments		
Within 1 year	40,318	45,355
From 1-5 years	40,348	41,399
More than 5 years	1,346	-
Total	**82,012**	**86,754**

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

Operating lease expenses recognised in the income statement in 2016 amounts to DKK 51.8 million (2015: DKK 53.4 million).

Note (DKK 1,000)

31 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2016, the following shareholders are registered as holders of more than 5% of the share capital of Saxo Bank A/S:

Fournais Holding A/S, DK-2850 Nærum, Denmark.
Seier Capital A/S, DK-1256 Copenhagen, Denmark.
TPG Merl Sarl, L-2453, Luxembourg.
Gold Shine Investment Holding Pte. Ltd., S-048616, Singapore.

	Board of Directors and Board of Management		Parties with significant influence[1]		Associates[2]	
(DKK million)	2016	2015	2016	2015	2016	2015
Deposits (liabilities)	0.6	4.5	0.7	-	-	-
Interest income	-	-	-	-	-	4.0
Fee and commission income	-	-	-	-	-	21.1
Fee and commission expense	-	-	-	-	-	13.8
Other services (income)	0.8	1.0	-	-	-	-
Other services (expense)	-	-	14.3	-	-	-

[1] Relates to parties not already disclosed as part of the Board of Directors and Board of Management.
[2] The 25% ownership in Banco Best S.A. was divested in November 2015.

Remuneration to Board of Directors and Board of Management is disclosed in note 33 Remuneration of management and significant risk takers.

Neither 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.

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

32 Assets deposited as collateral

Of the Group's bond holdings, bonds with a nominal value of DKK 4.8 billion (2015: DKK 4.5 billion), and a fair value of DKK 4.8 billion (2015: DKK 4.5 billion), are held in custody with institutions. The bonds serve as security for the Group's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Group's open positions against these institutions. At 31 December 2016, 21% (2015: 24%) of the Group's total fair value of bonds were held in custody.

Of deposits with investment brokers, banks and other credit institutions, DKK 105.8 million (2015: DKK 380.7 million) serve as collateral for the Group's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Group's open positions against these institutions.

The Group has placed cash DKK 94.8 million (2015: DKK 0 million) as security for an interest swap entered to hedge the Group's mortgage debt. At 31 December 2015 the Group has deposited bonds DKK 85 million with a fair value of DKK 85 million as security for the interest swap.

Debt to credit institutions is secured by mortgage deed of DKK 365 million (2015: DKK 365 million) on the Group's domicile property.

Note	(DKK 1,000)	2016	2015
33	**Remuneration of management and significant risk takers**		
	Remuneration of Board of Management		
	Salaries and other remuneration	(31,879)	(34,608)
	Defined contribution plans	(1,253)	(400)
	Social security expenses	(7)	(6)
	Share-based payments	(4,356)	(1,226)
	Total remuneration of Board of Management	**(37,495)**	**(36,240)**

At 31 December 2016 variable remuneration of Board of Management amounts to DKK 9.0 million (2015: DKK 3.1 million).

	2016	2015
Remuneration of Board of Management		
Kim Fournais	(14,449)	(14,495)
Steen Blaafalk	(6,724)	(7,272)
Søren Kyhl (appointed 1 January 2016)	(16,322)	-
Lars Seier Christensen (resigned 31 December 2015)	-	(14,473)
Total remuneration of Board of Management	**(37,495)**	**(36,240)**

The Group has no pension obligations towards Board of Management as pension schemes are defined contribution plans.

The Board of Management, employed at the time, participate in the 2008 warrant programme. The warrants have an exercise price of DKK 148 per share and are locked up for exercise until 30 june 2018.

Part of Board of Management participates in the Saxo Bank A/S warrant programme issued in 2015. The warrants issued by Saxo Bank A/S have an exercise price between DKK 150-210 per share and can be exercised during the period 1 February 2020 until 28 February 2022.

Remuneration of Board of Directors		**2016**	**2015**
Lone Fønss Schrøder (Chairman)	From 20 December 2013	(2,000)	(2,000)
Henrik Normann (Vice Chairman)	From 19 May 2015	(1,000)	(750)
Asiff Hirji	From 14 April 2014	(1,500)	-
Wikawi Oei	From 16 December 2015	(781)	-
Jacob Polny	From 20 December 2013	-	-
Thomas Plenborg	From 6 April 2010	(1,000)	(1,000)
Sarah McPhee	From 14 April 2014 until 16 December 2015	-	(960)
Total remuneration of Board of Directors		**(6,281)**	**(4,710)**

The Board of Directors receive fixed remuneration only for duties performed in Saxo Bank A/S. The Group has no pension obligations towards the Board of Directors.

Note (DKK 1,000)

33 Remuneration of management and significant risk takers · continued

Remuneration of significant risk takers	**2016**	**2015**
Number of significant risk takers (full-time-equivalents)	41	50
Fixed remuneration	(99,221)	(99,642)
Variable remuneration	(13,245)	(18,810)
Total remuneration of significant risk takers	**(112,466)**	**(118,452)**

The Group has no pension obligations towards 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.

Disclosures on remuneration in accordance to article 450 in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and disclosures according to the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups are available on the Group's website www.home.saxo/about-us/investor-relations. The disclosures are not covered by the statutory audit.

Share-based payments

The Group has warrant programmes in Saxo Bank A/S and Saxo Payments A/S.

Warrants Saxo Bank A/S
In 2016, additional 865,800 warrants (2015: 2,156,175 warrants) with a right to subscribe for shares in Saxo Bank A/S were sold to employees in Saxo Bank Group. The fair value of the warrants issued in 2016 was estimated to DKK 10 million (2015: DKK 11 million). The fair value was measured using the Black-Scholes option pricing model based on the assumptions at the grant date considering time to maturity, risk-free interest rate (0.27%), volatility (25%), share price (115/140) and exercise restrictions etc. The warrants will vest over a period of 4 or 5 years. The warrants are conditional on the performance of the Group. In case of leave of a holder the warrants of said holder may be repurchased. The warrants may be exercised during 1 February 2020 until 28 February 2022. The warrants or a portion thereof that are not exercised by 28 February 2022 will be deemed forfeited without any further compensation. The fair value at grant date of these warrants after deduction of cash payment received from participants is expensed in the income statement over the vesting period from 2015 to 2019.

In 2014, 390,000 warrants were sold at the fair value of DKK 2.6 million at the grant date. The holder became member of the Board of Directors after the grant date. The warrants may be exercised during 15 March 2015 until 31 March 2017. The warrants or a portion thereof that are not exercised by 31 March 2017 will be deemed forfeited without any further compensation. The warrants are not conditional on performance or presence of the holder.

Warrants were granted in 2007 (2,156,644 warrants) and 2008 (2,849,840 warrants). The exercise price of the granted warrants was equal to the fair value on the date of granting. At the date 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 grant date considering time to maturity, risk-free interest rate (3%), volatility (20% in 2007 and 25% in 2008), and exercise restrictions etc. The warrants were conditional on the performance of the individual and of the Group and/or presence of the holders concerned. The fair value at grant date of these warrants was expensed in the income statement over the vesting period from 2007 to 2014.

The conditions for the outstanding number of warrants granted in 2007 and 2008 with expiry in 2014 have been modified. The lock-up period has been extended to 30 June 2018. The fair value of DKK 13 million of the modified warrants is calculated based on the assumptions at the date of modification considering time to maturity and risk-free interest rate (4%). The fair value was expensed and recognised as Staff costs and administrative expenses in 2014. There are no additional terms or conditions associated with the extended lock-up period.

The warrants are accounted for as equity-settled transactions.

Note (DKK 1,000)

33 Remuneration of management and significant risk takers · continued

Number of warrants	Average exercise price	Board of Directors	Board of Management[1]	Employees	Total
Outstanding at 1 january 2015		**390,000**	**1,770,000**	**51,363**	**2,211,363**
Granted	180	-	399,600	1,756,575	2,156,175
Outstanding at 31 December 2015		**390,000**	**2,169,600**	**1,807,938**	**4,367,538**
Granted	180	-	499,500	366,300	865,800
Repurchased	180	-	-	(357,975)	(357,975)
Outstanding at 31 December 2016		**390,000**	**2,669,100**	**1,816,263**	**4,875,363**

[1] Includes warrants granted to previous member of Board of Management.

Out of the 4,875,363 (2015: 4,367,538) outstanding warrants as per 31 December 2016 260,000 warrants (2015: 130,000 warrants) were exercisable.

Warrants outstanding	Exercise price	Expiry date	Exercise period	2016	2015
Warrants granted in 2007	103	2018	2018	51,363	51,363
Warrants granted in 2008	148	2018	2018	1,770,000	1,770,000
Warrants granted in 2014	120	2017	2015-2017	130,000	130,000
Warrants granted in 2014	120	2017	2016-2017	130,000	130,000
Warrants granted in 2014	120	2017	2017	130,000	130,000
Warrants granted in 2015 and 2016	150	2022	2020-2022	888,000	718,725
Warrants granted in 2015 and 2016	180	2022	2020-2022	888,000	718,725
Warrants granted in 2015 and 2016	210	2022	2020-2022	888,000	718,725
Total warrants outstanding				**4,875,363**	**4,367,538**

Warrants Saxo Payments A/S
Warrants with a right to subscribe for shares in Saxo Payments A/S were granted or sold in 2016 (8,040 warrants), 2015 (62,238 warrants) and in 2014 (50,000 warrants). The fair value of the warrants issued in 2016 was estimated in total to DKK 0.6 million (2015: DKK 3 million). The fair value was measured using the Black-Scholes option pricing model based on the assumptions at the grant date considering time to maturity, risk-free interest rate (2%), volatility (25%), share price (373.11 in 2016 and 246.25 in 2015) and exercise restrictions etc. The warrants in 2014 were sold at fair value of DKK 0.3 million.

The warrants are conditional on performance of Saxo Payments A/S and presence of the holders concerned, unless terminated without cause. The warrants may be exercised during 1 January 2019 until 30 June 2019. The warrants or portions thereof that are not exercised by 30 June 2019 will be deemed forfeited without any further compensation. The fair value calculated using Black&Scholes at grant date after deduction of cash payment received from participants is expensed in the income statement during the period from 2015 to 2017.

The warrants are accounted for as equity-settled transactions.

Note (DKK 1,000)

33 Remuneration of management and significant risk takers · continued

Warrants outstanding	Exercise price	Expiry date	Exercise period	2016	2015
Warrants granted in 2014	72.00	2019	2019	48,332	50,000
Warrants granted in 2015	246.25	2019	2019	62,238	62,238
Warrants granted in 2016	373.11	2019	2019	8,040	-
Total warrants outstanding				**118,610**	**112,238**

Out of the 118,610 (2015: 112,238) outstanding warrants as per 31 December 2016 no warrants (2015: no warrants) were exercisable. 1,668 warrants have been forfeited in 2016 (2015: 0 warrants). No warrants have been exercised or expired in 2016 or 2015.

The warrants are held by Board of Directors, Board of Management and employees in Saxo Payments A/S.

Expense in income statement
In total DKK 9 million (2015: DKK 10 million) regarding warrants was recognised as Staff costs and administrative expenses with a corresponding increase in equity. Consideration received for warrants sold is recognised directly in equity.

	2016	2015
34 Contingent and other contractual commitments		
Guarantees		
Financial guarantees	193,147	228,584
Mortgage finance guarantees	286,951	244,756
Registration and remortgaging guarantees	170,952	145,325
Other guarantees	197,415	305,552
Total guarantees	**848,465**	**924,217**
Loan commitments etc.		
Other unutilised credit facilities	968,298	1,112,919
Total loan commitments etc.	**968,298**	**1,112,919**
Other contractual commitments		
Other contractual commitments incl. operating leases	404,020	364,702
Total other contractual commitments	**404,020**	**364,702**

Note 30 provides information about the future operating lease payments.

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.

Saxo Bank A/S is administration company in a Danish joint taxation. Saxo Bank A/S is taxed jointly with all Danish entities in Saxo Bank Group and is jointly and severally liable for payments of Danish corporate tax and withholding tax etc.

Note (DKK 1,000)

35 Group entities

Subsidiaries	Currency	Net profit	Equity	Ownership
Financial institutions				
Saxo Bank do Brasil Escritorio de Rep., Brazil[1)]	BRL	-	-	100%
Saxo Bank Dubai Ltd., Dubai	USD	258	3,023	100%
Saxo Bank Securities Ltd., Japan	JPY	69,656	1,129,291	100%
Saxo Bank (Switzerland) AG, Switzerland	CHF	(20,651)	52,791	100%
Saxo Banque France SAS, France	EUR	1,478	12,620	100%
Saxo Capital Markets CY Limited, Cyprus	EUR	938	4,847	100%
Saxo Capital Markets HK, Hong Kong	HKD	7,684	103,927	100%
Saxo Capital Markets Menkul Degerler Anonim Sirketi, Turkey	TRY	1,872	31,356	100%
Saxo Capital Markets Pte. Ltd., Singapore	SGD	9,348	34,728	100%
Saxo Capital Markets Pty Ltd., Australia	AUD	3,391	14,207	100%
Saxo Capital Markets SA Ltd., South Africa	ZAR	14,583	54,375	100%
Saxo Capital Markets UK Ltd., UK	GBP	(802)	15,159	100%
Saxo Far East (HK) Limited, Hong Kong	HKD	2,817	8,049	100%
Saxo Payments A/S, Denmark	DKK	(58,213)	57,983	50.1%
Saxo Privatbank A/S, Denmark	DKK	35,395	397,125	99.6%
Other				
Ejendomsselskabet Bygning 119 A/S, Denmark	DKK	4,473	172,299	100%
Initto A/S, Denmark	DKK	19,815	54,843	100%
Saxo Treasury A/S, Denmark	DKK	88	29,438	100%

[1)] The company does not publish an annual report.

The list includes significant active subsidiaries.

The financial information disclosed is extracted from the companies' most recent annual reports prior to 17 March 2017. Financial institutions supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities and dividend payouts.

The Group has in 2016 divested its 100% ownership interest in Saxo Capital Agente de Valores S.A. Uruguay.

Non-controlling interests	2016	2015
Saxo Payments A/S:		
Net profit	(58,213)	(55,841)
Total assets, current	1,134,808	123,060
Equity	57,983	65,961
Total liabilities, current	1,076,825	57,099
Contingent and other contractual commitment	26,903	8,054

The amounts disclosed represents the 100% share before intercompany eliminations.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

Saxo Bank Group's (Group) overall risk management framework and governance structure is established by the Board of Directors and based on recommendations from the Board Risk Committee. The Board of Directors has in the Board Instructions laid out a set of instructions to the Board of Management on management of the day-to-day business of the Group.

The Board instructions are supplemented by the Group Risk Management Governance & Policy and Risk Appetite Statements, which defines the Group's risk management framework and articulates the Group's risk appetite and includes specific limits for the Group's risk taking activities.

The Chief Risk Officer (CRO) has the overall responsibility for maintaining and developing the risk management framework, as well as for controlling and reporting the Group's risks.

Risk types
The Bank and the Group are exposed to a number of risks, which can be categorised as follows:

- Credit risk: The potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

- Market risk: The risk of a loss in value as a result of changes in market rates and parameters that affect the market values, e.g. interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

- Operational risk: The risk of direct or indirect financial losses or damaged reputation due to failure attributable to technology, employees, procedures or external events. Operational risk includes legal and compliance risk, but excludes strategic and reputational risk.

- Liquidity risk: The risk that the Group's cost of funds rise to disproportionate levels or in worst case prevents the Group from continuing as a going concern under its currents business model. Also, the risk that the Group does not have sufficient liquidity to fulfil its payment obligations as and when they fall due. Finally, the risk that the Group does not comply with regulatory liquidity requirements, e.g. liquidity coverage ratio.

- Business and Other risk: The risk of a direct or an indirect loss, or damaged reputation as a result of changes in external circumstances, events or due to risks being only partially captured under the other risk categories.

The Board of Management and the Board of Directors are informed on the Group's risks, capital requirements and liquidity situation on a regular basis.

The Danish FSA receives reporting on the Bank's and the Group's capital requirements and liquidity situation on a regular basis and at least quarterly.

Management's Report and the Risk Report 2016 provide additional information about the Group's risk management approach. Risk Report 2016 is available for download from the Group's website at www.home.saxo/about-us/icaap-and-risk-reports. The Risk Report is not covered by the statutory audit.

CREDIT RISK

Credit risk is defined as the risk that a retail client or counterparty fails to meet its obligations in accordance with agreed terms.

The Board of Directors has defined the Group Credit Risk Policy, and articulated the Group's credit risk appetite and approved specific limits for the Group's largest clients and counterparties as well as industry sector limits. The Policy, Risk Appetite Statements and the limits are reviewed as often as needed and as a minimum once a year.

Client credit risk
Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction. An economic loss would occur if the transactions or portfolio of transactions with counterparty has a positive economic value at the time of default and the counterparty's posted collateral is insufficient to cover the loss. These risks usually occur in the event of a price gap. Price gap means that there is no market liquidity, e.g. because the market is closed, to support trading at a price level close to the most recently traded level.

Settlement risk
Settlement risk is the risk of a counterparty failing to deliver money or securities according to contractual terms at the time of settlement. Settlement risk includes a principal risk if money or securities are transferred before the corresponding asset has been received with finality.

To reduce settlement risk in foreign exchange transactions, the Group has entered into settlement agreements with the Group's prime brokers. In securities trading, the settlement risk is mitigated by delivery versus payment settlement and contractual settlement agreements.

Counterparty risk versus brokers and in the Group's Trading Book
The Group also faces credit risks in its brokerage operation from liquidity providers, financial brokers and counterparties to derivative trades.

The Group hedges to a large extent its market risks through the Group's brokers. The Group posts cash as collateral for the market value of these hedges. The cash-deposits give rise to a potential credit risk towards the Group's brokers. The Group regularly, and at least annually, conducts credit assessments of the brokers in order to mitigate these credit risks.

The Group purchases bonds into its trading book as part of its liquidity management, which gives rise to credit risk. However, the Board Risk Appetite Statements set requirements for the credit quality of these and accordingly only a smaller part of the Group's own trading book can be placed in bonds that are rated less than AAA and all bonds have to be at least investment grade (BBB).

Traditional retail banking services
Traditional banking services cover loans, overdraft facilities, business credits, construction and housing credits, guarantees etc. These services are provided through the subsidiary Saxo Privatbank A/S. The granting of a credit is based on the Bank's insight into the client's financial position through credit assessments ensuring, that each facility matches the credit-worthiness and financial position of the client.

(DKK 1,000)

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

The credit risk on derivative financial instruments is disclosed in note 27 Offsetting financial assets and liabilities. The net uncovered positive fair values of DKK 557 million at 31 December 2016 generally represents credit exposures, which the Group has accepted within its policies and risk limits, either as a granted credit line or through a close-out netting agreement, which is not formally verified by a legal opinion.

Breakdown of credit risk exposure without taking collateral and netting into account

2016	Credit risk, lending activities	Counter-party risk, derivatives	Credit risk, investing activities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	-	-	5,577,707	5,577,707
Receivables from credit institutions and central banks	-	-	2,442,512	2,442,512
Trading assets	-	5,987,594	25,116,881	31,104,475
Loans and other receivables at amortised cost	1,896,282	-	-	1,896,282
Investment securities	-	-	36,890	36,890
Credit exposure before impairment	**1,896,282**	**5,987,594**	**33,173,990**	**41,057,866**
Impairment loans	(204,795)	-	-	(204,795)
Credit exposure in statement of financial position	**1,691,487**	**5,987,594**	**33,173,990**	**40,853,071**
Off-balance items				
Guarantees	855,845	-	-	855,845
Other unutilised credit facilities[1)]	628,898	-	-	628,898
Impairment for off-balance items	(7,380)	-	-	(7,380)
Credit exposure off-balance items	**1,477,363**	**-**	**-**	**1,477,363**
Total credit exposure net of impairment	**3,168,850**	**5,987,594**	**33,173,990**	**42,330,434**

2015				
Statement of financial position item				
Cash in hand and demand deposits with central banks	-	-	2,808,010	2,808,010
Receivables from credit institutions and central banks	-	-	1,735,824	1,735,824
Trading assets	-	5,230,430	19,081,159	24,311,589
Loans and other receivables at amortised cost	1,928,044	-	-	1,928,044
Investment securities	-	-	39,287	39,287
Credit exposure before impairment	**1,928,044**	**5,230,430**	**23,664,280**	**30,822,754**
Impairment loans	(135,023)	-	-	(135,023)
Credit exposure in statement of financial position	**1,793,021**	**5,230,430**	**23,664,280**	**30,687,731**
Off-balance items				
Guarantees	924,217	-	-	924,217
Other unutilised credit facilities[1)]	896,019	-	-	896,019
Impairment off-balance items	(698)	-	-	(698)
Credit exposure off-balance items	**1,819,538**	**-**	**-**	**1,819,538**
Total credit exposure net of impairment	**3,612,559**	**5,230,430**	**23,664,280**	**32,507,269**

[1)] The Group has in addition granted credit facilities in regards to stock loans. The additional unutilised credit facilities amount to DKK 339 million as per 31 December 2016 (2015: DKK 217 million). The credit facilities can only be utilised, if required collateral is provided and can be terminated on demand.

(DKK 1,000)

CREDIT EXPOSURE RELATING TO LENDING ACTIVITIES

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

Credit exposure and credit concentration risk based on sector and industry relating to lending activities is managed on an ongoing basis in accordance with the credit policy and monitored monthly.

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

2016	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
1 Outstanding clients	250,788	-	250,788	80,701	170,087
2 Good clients	1,168,441	-	1,168,441	415,567	752,874
3 Standard clients	1,203,373	-	1,203,373	396,740	806,633
4 Clients thats show some weakness	423,478	-	423,478	78,081	345,397
5 Weak clients that need increased attention	39,599	-	39,599	4,893	34,706
6 Clients with impairment	295,346	(185,827)	109,519	80,372	29,147
Total before collective impairment	**3,381,025**	**(185,827)**	**3,195,198**	**1,056,354**	**2,138,844**
Collective impairment	-	(26,348)	(26,348)	-	(26,348)
Total	**3,381,025**	**(212,175)**	**3,168,850**	**1,056,354**	**2,112,496**

2015					
1 Outstanding clients	617,107	-	617,107	201,256	415,851
2 Good clients	920,518	-	920,518	262,641	657,877
3 Standard clients	1,708,941	-	1,708,941	451,310	1,257,631
4 Clients thats show some weakness	179,492	-	179,492	30,780	148,712
5 Weak clients that need increased attention	51,405	-	51,405	10,516	40,889
6 Clients with impairment	270,815	(126,084)	144,731	64,472	80,259
Total before collective impairment	**3,748,278**	**(126,084)**	**3,622,194**	**1,020,975**	**2,601,218**
Collective impairment	-	(9,635)	(9,635)	-	(9,635)
Total	**3,748,278**	**(135,719)**	**3,612,559**	**1,020,975**	**2,591,584**

(DKK 1,000)	2016	2015
CREDIT EXPOSURE RELATING TO LENDING ACTIVITIES · continued		
Credit exposure broken down by sector, industry and geography (%)		
Corporate sector		
Agriculture, hunting, forestry and fisheries	2%	2%
Industry and extraction of raw materials	1%	1%
Buildings and construction	2%	2%
Trading	5%	5%
Transport, hotels and restaurants	2%	2%
Finance and insurance	9%	9%
Real estate	9%	10%
Other businesses	8%	8%
Total corporate sector	**38%**	**39%**
Private clients	62%	61%
Total credit exposure loans, other receivables, guarantees etc. net of impairment	**100%**	**100%**
Hereof related to clients in foreign countries	5%	6%
Impairment allowance for loans and receivables etc.		
Individual impairment allowance for loans, receivables and guarantees		
Impairment allowance at 1 January	126,084	97,987
Impairment for the year	86,451	36,423
Reversals of impairment from previous years	(7,662)	(4,570)
Other	1,314	5,794
Amounts written off	(20,360)	(9,550)
Individual impairment allowance for loans, receivables and guarantees at 31 December	**185,827**	**126,084**
Collective impairment allowance for loans, receivables and guarantees		
Impairment allowance at 1 January	9,635	6,894
Impairment for the year	16,999	2,984
Reversals of impairment from previous years	(286)	(243)
Collective impairment allowance for loans, receivables and guarantees at 31 December	**26,348**	**9,635**

(DKK 1,000)

CREDIT EXPOSURE RELATING TO LENDING ACTIVITIES · continued

Collateral held against lending activities

An essential element of the Group's credit policy is to mitigate credit risk in the loan portfolio by requiring collateral. The Group continuously assesses the market value of the collateral. For most common collateral the Group applies an internal valuation model that estimates the market value. For collateral 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. A haircut is a measure of the costs associated with a liquidation of the collateral. By subtracting the haircut from the market value, the estimated net value of the collateral is calculated. The haircut depends on the type of collateral.

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

2016	**Investment brokers and trading clients**	**Lending clients**	**Total**
Credit exposure net of impairment	167,238	3,001,612	3,168,850
Collateral			
Cash	3,693	55,242	58,935
Exchange traded equities, bonds and mutual funds	110,542	206,038	316,580
Property	-	617,891	617,891
Other	26,563	36,385	62,948
Total collateral	**140,798**	**915,556**	**1,056,354**
Total unsecured credit exposure lending activities	**26,440**	**2,086,056**	**2,112,496**

2015			
Credit exposure net of impairment	251,956	3,360,603	3,612,559
Collateral			
Cash	9,161	54,445	63,606
Exchange traded equities, bonds and mutual funds	91,419	215,423	306,842
Property	-	580,005	580,005
Other	26,721	43,801	70,522
Total collateral	**127,301**	**893,674**	**1,020,975**
Total unsecured credit exposure lending activities	**124,655**	**2,466,929**	**2,591,584**

(DKK 1,000)

CREDIT EXPOSURE RELATING TO LENDING ACTIVITIES · continued

Past due loans not impaired

2016	Investment brokers and trading clients	Lending clients	Total
From 1 day to 1 month	147	136,246	136,393
From 1-3 months	2,938	897	3,835
More than 3 months	339	2,691	3,030
Total past due loans not impaired	**3,424**	**139,834**	**143,258**

2015			
From 1 day to 1 month	2,784	154,493	157,277
From 1-3 months	997	788	1,785
More than 3 months	3,692	1,548	5,240
Total past due loans not impaired	**7,473**	**156,829**	**164,302**

Credit quality of loans neither past due nor impaired

2016	Investment brokers and trading clients	Lending clients	Total
1 Outstanding clients	29,484	37,381	66,865
2 Good clients	48,843	501,736	550,579
3 Standard clients	58,976	652,565	711,541
4 Clients thats shows some weakness	2,938	272,005	274,943
5 Weak clients that need increased attention	339	31,729	32,068
Total loans neither past due nor impaired	**140,580**	**1,495,416**	**1,635,996**

2015			
1 Outstanding clients	51,653	186,791	238,444
2 Good clients	22,853	296,521	319,374
3 Standard clients	47,988	882,849	930,837
4 Clients thats shows some weakness	4,461	122,796	127,257
5 Weak clients that need increased attention	913	39,503	40,416
Total loans neither past due nor impaired	**127,868**	**1,528,460**	**1,656,328**

(DKK 1,000)

CREDIT RISK VERSUS BROKERS AND IN THE GROUP'S TRADING BOOK

The ratings in the following tables are based on Standard & Poor's rating methodology or equivalent rating.

Receivables from credit institutions and central banks broken down by credit rating category

2016	**Credit institutions**	**Central banks**	**Total**
AAA	21,007	5,123,292	5,144,299
AA+	487	-	487
AA	14,780	442,422	457,202
AA-	610,269	-	610,269
A+	171,954	-	171,954
A	494,777	-	494,777
A-	218,341	-	218,341
BBB+	627,893	-	627,893
BBB-	24,268	-	24,268
BB+	10,186	-	10,186
BB	36,834	-	36,834
Sub-investment grade or unrated[1)]	211,716	-	211,716
Total	**2,442,512**	**5,565,714**	**8,008,226**

2015			
AAA	-	2,797,555	2,797,555
AA+	3,098	-	3,098
AA-	175,359	-	175,359
A+	113,479	-	113,479
A	438,448	-	438,448
A-	74,837	-	74,837
BBB+	730,600	-	730,600
BBB-	17,182	-	17,182
BB	59,507	-	59,507
Sub-investment grade or unrated[1)]	123,314	-	123,314
Total	**1,735,824**	**2,797,555**	**4,533,379**

[1)] Credit institutions unrated has been approved based on internal rating methodology.

(DKK 1,000)

CREDIT RISK VERSUS BROKERS AND IN THE GROUP'S TRADING BOOK · continued

Receivables from credit institutions and central banks broken down by geography

2016	**Credit institutions**	**Central banks**	**Total**
Denmark	862,978	4,230,976	5,093,954
Europe, excluding Denmark	724,174	1,334,738	2,058,912
USA	685,549	-	685,549
Australia	41,769	-	41,769
Asia	108,981	-	108,981
Other	19,061	-	19,061
Total	**2,442,512**	**5,565,714**	**8,008,226**

2015			
Denmark	291,684	1,605,669	1,897,353
Europe, excluding Denmark	1,059,399	1,191,849	2,251,248
USA	201,890	-	201,890
Australia	4,195	-	4,195
Asia	170,115	-	170,115
Other	8,541	37	8,578
Total	**1,735,824**	**2,797,555**	**4,533,379**

Impairment for receivables from credit institutions and central banks

No receivables from credit institutions or central banks are considered past due or impaired (2015: DKK 0 million). DKK 134 million (2015: DKK 0 million) is received as collateral from credit institutions and central banks.

(DKK 1,000)

CREDIT RISK VERSUS BROKERS AND IN THE GROUP'S TRADING BOOK · continued

Bond portfolio broken down by rating category

2016	Danish mortgage bonds	Government bonds	Corporate bonds	Total
AAA	6,214,434	1,185,985	-	7,400,419
AA+	6,845,430	5,887,314	-	12,732,744
AA	-	1,951,636	-	1,951,636
Other investment grade	-	2,456,699	570,842	3,027,541
Total	**13,059,864**	**11,481,634**	**570,842**	**25,112,340**
2015				
AAA	1,904,190	97,655	-	2,001,845
AA+	2,608,336	4,920,477	-	7,528,813
AA	-	5,940,340	-	5,940,340
Other investment grade	537,859	3,061,272	298	3,599,429
Sub-investment grade or unrated	-	-	5,970	5,970
Total	**5,050,385**	**14,019,744**	**6,268**	**19,076,397**

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

Bond portfolio broken down by geography

2016	Danish mortgage bonds	Government bonds	Corporate bonds	Total
Denmark	13,059,864	-	570,842	13,630,706
Europe, excluding Denmark	-	5,670,551	-	5,670,551
USA	-	5,811,083	-	5,811,083
Total	**13,059,864**	**11,481,634**	**570,842**	**25,112,340**
2015				
Denmark	5,050,385	541	-	5,050,926
Europe, excluding Denmark	-	8,030,740	6,268	8,037,008
USA	-	5,988,463	-	5,988,463
Total	**5,050,385**	**14,019,744**	**6,268**	**19,076,397**

(DKK 1,000)

MARKET RISK

Market risk is defined as the risk of a loss in value as a result of changes in market rates and parameters that affect the market values, e.g. interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

The Group's market risks can be grouped into the following three main categories:
1. Trading market risk exposures relating to the Market Making of Saxo Markets supporting the Group's online trading and investment services.
2. Investments/liquidity buffer related market risk exposures in Group Treasury.
3. Structural market risk exposures in the Group's statement of financial position.

The Board of Directors has defined the overall Group Market Risk Policy, articulated the Group's market risk appetite and set limits for the different types of market risk. Based on this, market risk limits are delegated to the organisation, ie. Saxo Markets and Group Treasury. Market risk exposures are monitored by the Group Risk & Capital Management-department, and the limit utilisation is reported to all governing levels of the Group, including the Board of Directors on a regular basis.

The overall Board policies and limits are supplemented by sub policies, business procedures, work instructions and more detailed risk limits. The Group Market Risk Policy, the Market Risk Appetite Statements and the limits are reviewed as often as needed and as a minimum once a year.

Exposures to various types of market risk for the Group are disclosed below. This information is supported by VaR (Value-at-Risk) information for part of the market risk in the Group.

	2016	2015
Foreign currency risk		
Assets in foreign currency, total	20,076,625	21,125,437
Liabilities in foreign currency, total	35,001,095	26,894,618
The Group measures its foreign currency risk using Foreign currency indicator 1 and 2. The foreign currency risk can be specified as follows:		
Foreign currency indicator 1	532,142	339,454
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	1,287	5,525
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. Foreign currency indicator 2 means, that if the Group does not change foreign currency positions in the following 10 days, there is a 1% probability that the Group will have a capital loss greater than the indicator value.		
Interest rate risk		
Interest rate risk on financial instruments included in trading portfolio	149,063	94,627
Interest rate risk on loans not included in trading portfolio	(35,087)	(37,182)
Total interest rate risk	**113,976**	**57,445**

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

(DKK 1,000)

MARKET RISK · continued

Equity price 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.

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:

	2016	**2015**
Equity price risk		
General risk	36,234	13,268
Specific risk	17,286	26,180
Position risk in Collective Investment Undertakings (CIU's)	1,890	6,756
Total equity price risk including CIU's	**55,410**	**46,204**

Commodity price risk

The Group's commodity price risk is disclosed as part of the VaR information.

Risk exposure amounts according to the standard method for market risk

2016	**Group**	**Of which is covered by VaR positions** [1]
Foreign currency risk	902,108	799,001
hereof non-delta risks	369,062	369,062
Interest rate risk	2,753,917	2,753,917
Equity price risk	55,410	44,931
Commodity price risk	125,915	125,915
hereof non-delta risks	-	-
2015		
Foreign currency risk	1,005,310	880,748
hereof non-delta risks	665,856	665,856
Interest rate risk	1,550,485	1,543,029
Equity price risk	46,204	31,759
Commodity price risk	314,863	314,863
hereof non-delta risks	31,033	31,033

[1] VaR positions are disclosed on page 93.

(DKK 1,000)

MARKET RISK · continued

Trading and investment services
The Group operates its trading and investment business using the Group's online investment trading platforms. The Group has a low appetite for trading and investment related market risk and continue to execute strategic initiatives to minimise the need for open market risk exposures in the market making/trading activities. The Group's market risk appetite including the appetite for investment risks in Group Treasury is defined by limits set in the Risk Appetite Statements. The Group has low risk appetite for structural market risk exposures to the extent these can be mitigated in a structured and meaningful way.

The market risk is quantified and monitored against a number of exposure and Value-at-Risk limits.

Exposure limit utilisations are monitored on a continuous basis, 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 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 gamma and vega to ensure that the key risk elements (underlying price sensitivity, and volatility) from options are considered and monitored.

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

The Value-at-Risk (VaR) is an estimated loss to a portfolio value that potentially could arise over a specific time horizon (holding period) from an adverse market movement with a specified probability (confidence level). The VaR limit framework used by the Group is based on a 95% confidence level for a 1 day holding period. The VaR model used is based on Monte Carlo simulations to make full repricing 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 eliminate market risk exposure within that period. This may not always be the case for highly illiquid markets
- At a 95% confidence level there is a 5% (1 in 20 days) risk of losses exceeding the estimated loss with no certainty of how much the exceedance will be
- 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

	2016	2015
VaR position		
Foreign currency risk	1,211	812
Interest rate risk	7,203	1,439
Equity price risk	738	99
Commodity price risk	131	190
Total VaR	7,221	1,533

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.

During 2016 an internal VaR model was implemented which resulted in an increased VaR on Interest rate risk.

The VaR position is dependent on the Group's exposure (limits) and the conditions in the market place. The VaR positions at 31 December 2016 are in general representative for the VaR development during 2016. Any fluctuations in VaR were mainly due to varying market conditions.

(DKK 1,000)

MARKET RISK · continued

Derivative financial instruments

	2016		2015		2016		2015	
	Notional amount	Net fair value	Notional amount	Net fair value	Fair value Positive	Fair value Negative	Fair value Positive	Fair value Negative
Currency contracts								
Forwards/futures purchased	68,871,089	3,733	17,517,410	(58,485)	264,090	(260,357)	178,393	(236,878)
Forwards/futures sold	338,715,150	164,160	16,916,375	58,686	417,514	(253,354)	244,245	(185,559)
Options purchased	18,559,517	(319,749)	24,235,518	(38,024)	124,715	(444,464)	211,805	(249,829)
Options written	19,840,456	504,677	24,256,182	5,736	615,186	(110,509)	279,070	(273,334)
Unsettled spot purchased	17,405,191	1,176,673	19,514,991	577,451	1,339,439	(162,766)	768,395	(190,944)
Unsettled spot sold	16,648,995	467,690	12,581,054	842,394	730,683	(262,993)	941,063	(98,669)
Interest rate contracts								
Forwards/futures purchased	16,604,045	(6,666)	6,382,573	(6,723)	17,299	(23,965)	4,545	(11,268)
Forwards/futures sold	16,440,393	21,240	6,381,507	8,148	36,914	(15,674)	10,970	(2,822)
Options purchased	6,241,752	(8,671)	4,847,468	2,173	1,035	(9,706)	3,816	(1,643)
Options written	6,241,752	8,662	4,847,468	(2,202)	9,706	(1,044)	1,615	(3,817)
Swaps	335,897	(79,360)	335,897	(79,844)	-	(79,360)	-	(79,844)
Equity contracts								
Forwards/futures purchased	14,111,869	334,893	18,956,690	(352,902)	916,908	(582,015)	10,549	(363,451)
Forwards/futures sold	12,270,884	536,594	18,955,742	1,598,667	744,591	(207,997)	2,100,148	(501,481)
Options purchased	13,943,830	(365,912)	11,202,197	180,583	515	(366,427)	180,702	(119)
Options written	13,943,830	365,911	11,202,197	(180,583)	366,426	(515)	119	(180,702)
Commodity contracts								
Forwards/futures purchased	6,414,819	69,796	5,251,098	(160,197)	189,915	(120,119)	24,324	(184,521)
Forwards/futures sold	6,631,184	(2,191)	5,250,409	219,084	121,832	(124,023)	245,128	(26,044)
Options purchased	4,365,044	(85,231)	1,567,867	25,543	2,798	(88,029)	25,543	-
Options written	4,364,384	85,229	1,567,867	(25,543)	88,029	(2,800)	-	(25,543)
Total		**2,871,478**		**2,613,962**	**5,987,595**	**(3,116,117)**	**5,230,430**	**(2,616,468)**

(DKK 1,000)

MARKET RISK · continued

Derivative financial instruments - specified by maturity

	Within 3 months		3-12 months		1-5 years		> 5 years	
2016	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value
Currency contracts								
Forwards/futures purchased	63,616,367	23,879	5,254,230	(20,129)	493	(17)	-	-
Forwards/futures sold	333,224,414	160,009	5,490,177	4,128	559	23	-	-
Options purchased	14,468,240	(214,207)	4,089,760	(105,371)	1,516	(171)	-	-
Options written	14,175,043	302,120	5,664,404	202,529	1,009	28	-	-
Unsettled spot purchased	17,405,191	1,176,673	-	-	-	-	-	-
Unsettled spot sold	16,648,995	467,690	-	-	-	-	-	-
Interest rate contracts								
Forwards/futures purchased	8,067,060	(16,849)	1,894,645	2,508	6,642,340	7,675	-	-
Forwards/futures sold	7,903,408	31,420	1,894,645	(2,461)	6,642,340	(7,719)	-	-
Options purchased	4,032,766	(7,146)	1,117,420	(310)	1,091,566	(1,215)	-	-
Options written	4,032,766	7,135	1,117,420	311	1,091,566	1,216	-	-
Swaps	-	-	-	-	-	-	335,897	(79,360)
Equity contracts								
Forwards/futures purchased	14,013,599	336,418	87,711	(549)	8,354	(595)	2,204	(381)
Forwards/futures sold	12,172,614	534,799	87,711	806	8,354	529	2,204	460
Options purchased	9,936,512	(139,604)	2,477,396	(56,021)	1,495,787	(166,140)	34,136	(4,147)
Options written	9,936,512	139,603	2,477,396	56,021	1,495,787	166,140	34,136	4,147
Commodity contracts								
Forwards/futures purchased	4,300,127	38,414	1,745,482	(12,662)	369,210	44,044	-	-
Forwards/futures sold	4,424,445	25,350	1,837,529	17,439	369,210	(44,980)	-	-
Options purchased	3,486,319	(63,805)	832,044	(21,226)	46,681	(200)	-	-
Options written	3,485,660	63,803	832,044	21,226	46,681	200	-	-
Total		**2,865,702**		**86,239**		**(1,182)**		**(79,281)**

(DKK 1,000)

MARKET RISK · continued

Derivative financial instruments - specified by maturity

	Within 3 months		3-12 months		1-5 years		> 5 years	
2015	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value	Notional amount	Net fair value
Currency contracts								
Forwards/futures purchased	14,309,258	(60,502)	3,208,053	2,017	98	-	-	-
Forwards/futures sold	14,195,912	52,861	2,720,463	5,825	-	-	-	-
Options purchased	19,623,739	(64,399)	4,611,092	26,275	687	100	-	-
Options written	19,624,788	72,663	4,630,841	(66,899)	553	(28)	-	-
Unsettled spot purchased	19,514,991	577,451	-	-	-	-	-	-
Unsettled spot sold	12,581,054	842,394	-	-	-	-	-	-
Interest rate contracts								
Forwards/futures purchased	3,736,950	(5,445)	359,115	(48)	2,284,835	(1,243)	1,673	13
Forwards/futures sold	3,735,884	6,689	359,115	349	2,284,835	1,123	1,673	(13)
Options purchased	2,816,210	2,586	1,121,603	(208)	909,655	(205)	-	-
Options written	2,816,210	(2,610)	1,121,603	206	909,655	202	-	-
Swaps	-	-	-	-	-	-	335,897	(79,844)
Equity contracts								
Forwards/futures purchased	18,872,595	(352,510)	72,905	(346)	10,225	(17)	966	(29)
Forwards/futures sold	18,871,647	1,597,789	72,905	688	10,225	159	966	31
Options purchased	7,681,787	40,149	2,537,433	41,007	960,297	96,224	22,679	3,203
Options written	7,681,787	(40,149)	2,537,433	(41,007)	960,297	(96,224)	22,679	(3,203)
Commodity contracts								
Forwards/futures purchased	3,565,403	(31,226)	1,461,459	(60,048)	224,236	(68,923)	-	-
Forwards/futures sold	3,572,999	74,918	1,453,175	72,401	224,236	71,765	-	-
Options purchased	977,468	8,310	545,478	15,850	44,920	1,383	-	-
Options written	977,468	(8,310)	545,478	(15,850)	44,920	(1,383)	-	-
Total		**2,710,659**		**(19,788)**		**2,933**		**(79,842)**

LIQUIDITY RISK

Liquidity Requirements
Saxo Bank is required to meet and report current requirements for both Saxo Bank A/S and Saxo Bank Group.

Saxo Bank is required to fulfill liquidity requirements according to the CRR as well as the liquidity standards set out in the Danish Financial Business Act. In addition, the Danish FSA has defined liquidity threshold values in the so-called Supervisory Diamond.

Current Minimum Requirements
The LCR-requirement means that banks are obligated to hold a buffer of liquid assets as a percentage of net cash outflows over a 30-day period. The objective of the LCR framework is to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid assets (HQLA) to survive a significant stress scenario lasting for one month.

In Denmark, the LCR requirement is being phased-in gradually, with a 70% requirement in 2016, 80% in 2017 and 100% in 2018. The LCR provisions are further specified in a delegated act which sets detailed rules on the liquidity area hereunder provisions for the composition and the diversification of the liquidity buffer.

The Group reports monthly LCR to the Danish FSA in accordance with Implementing Technical Standards and Regulatory Technical Standards developed by The European Banking Authority. As of 31 December 2016, the Group's reported LCR ratio was 160% (2015: 105%). The Group is highly liquid and holds a large portfolio of Level 1 assets hereunder cash at central banks.

The Group is also subject to regulatory liquidity requirements according to the Danish Financial Business Act where the liquidity shall amount to no less than:

• 15% of the debt exposures that, irrespective of possible payment conditions, are the liability of the Group to pay on demand or at notice of no more than one month, and

• 10% of the total debt and guarantee exposures of the Group, less subordinated debt that may be included in calculations of the Total capital. In addition to the above, the Supervisory Diamond includes 50% additional charge to the above mentioned standard.

The Group met the regulatory liquidity standards throughout the year 2016.

The regulatory liquidity requirement for the Group including the 50% additional surcharge was DKK 7.86 billion as of 31 December 2016 (2015: DKK 5.75 billion). The Group's liquidity as of 31 December 2016 to cover this was DKK 28.19 billion (2015: DKK 18.66 billion).

Further, the Danish FSA expects all Danish banks to hold a "funding-ratio" below 1. The "funding-ratio" is loans divided by the sum of deposits, subordinated debt and equity.

The "funding-ratio" for the Group as of 31 December 2016 was 0.055 (2015: 0.066).

ILAAP requirement
From end of 2014 the Group has been obligated to hold liquidity of at least the current ILAAP level as determined by the Board of Directors. This ILAAP level cannot be less than the current minimum regulatory standard. The ILAAP is performed based on guidelines issued by the Danish FSA.

The calculation of the ILAAP result is based on an internal process in which management assesses the liquidity risks, the overall liquidity management and the funding risks. The Group has implemented liquidity stress testing based on the LCR and section 152 requirements. Stress tests are conducted on a monthly basis. The Group continuously (on daily basis) monitors its liquidity and LCR level in order to ensure compliance with the regulatory standards.

The Group operates with a liquidity buffer 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. However, 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 having sufficient liquidity during the initial phase of a liquidity crisis.

Additional information about the Group's liquidity risk and ILAAP is disclosed in the unaudited Risk Report 2016 and is available at www.home.saxo/about-us/icaap-and-risk-reports.

Funding Requirements and Assets Encumbrance
CRD IV and CRR require the Group to monitor and report a long-term Net Stable Funding Ratio (NSFR).

The aim of NSFR is to ensure that banks have an acceptable amount of stable funding to support their assets and activities over the medium term (i.e. a one-year period). Currently, the Group is required to report and monitor NSFR. NSFR is planned to be a 100% requirement from 2018, a level that is already met by the NSFR ratio in the Group.

In addition to the funding ratio described above, the Group is also required to monitor, report and disclose Asset Encumbrance. This disclosure shows the Group's ability to provide liquidity based on the current balance sheet etc.

Asset Encumbrance as per end of 2016 is disclosed in the unaudited Risk Report 2016 and is available at www.home.saxo/about-us/icaap-and-risk-reports.

OPERATIONAL RISK

Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

Operational risk is defined as the risk of direct or indirect financial losses or damaged reputation due to failure attributable to technology, employees, procedures or external events. The definition includes legal and compliance risk.

Operational Risk Management
The Group's operational risk management policy is approved by the Board of Directors which provides guiding principles for the identification, assessment, monitoring, controlling and reporting of operational risks the Group faces or may face. The operational risk profile is determined by the Group's risk appetite, which is approved by the Board of Directors. Included in the framework are policies for information security risk, insurance, change management and new products and services.

The Board of Management oversees the Group's operational risk management and established an Operational Risk Committee to ensure that the Group's operational risk management framework is robust and well-functioning, to oversee the Group's operational risk profile, and to escalate threats to the risk profile and breaches in risk appetite as appropriate. The Operational Risk Committee is chaired by the Chief Risk Officer.

The Board of Directors has defined the Group Operational Risk Policy, covering also Information Security Risk, and articulated the Group's operational risk appetite. The Policy and Risk Appetite Statements are reviewed as often as needed and as a minimum once a year.

The overall objective of the operational risk management framework is to define standards, tools and processes to support the organisation in proactively identifying, assessing, monitoring and managing/mitigating operational risks to the largest extent possible at reasonable costs. The Group has a low risk appetite for operational risks that can be mitigated by sound procedures, controls or otherwise insured. Moreover, the Group has no appetite for launching new products, processes, systems or activities that have not been appropriately risk assessed.

The Group emphasises training personnel on risk awareness and sound risk culture. The training ensures that all employees have relevant and sufficient knowledge of operational risks related to their tasks. Mapping of the Group's operational risk exposure. The mapping of the Group's operational risk landscape is based on historical data and internal risk self-assessments. The following techniques for collecting operational risk events are used and documented, and they form the basis for a consistent examination of the Group's exposures related to operational risk:

• Direct and potential losses ("near-misses") in excess of DKK 15 thousand arising from operational risk events are systematically collected, categorised in the Group's error register. Risk assessments and root cause analysis must be performed to effectively address and provide mitigation actions to material operational risk events.

• The Group's operational risk profile is monitored through regular self-assessments processes which are performed at least annually. The purpose of the activity is to assess the quality of internal controls, ensure that all material operational risks inherent in the Group's products, activities, processes and systems are captured and reassessed in a systematic and timely manner to identify areas for improvements.

TOTAL CAPITAL

Regulatory requirements
Saxo Bank is subject to the capital requirements set out in CRR as well as the Danish implementation of CRD IV. This means, that Saxo Bank is required to perform an Internal Capital Adequacy Assessment Process (ICAAP) in accordance with Danish guidelines, issued by the Danish FSA.

Saxo Bank is required to fulfill and report capital requirements on Bank- and Group-level. The Group reports capital, risk exposure amounts and ICAAP level to Danish FSA in accordance with Implementing Technical Standards and Regulatory Technical Standards developed by The European Banking Authority and additional reporting requirements issued by Danish FSA.

Regulatory Capital Structure
As of 31 December 2016, the Common equity tier 1 capital (CET1), Tier 1 capital and Total capital for the Group were DKK 2.30 billion, DKK 2.64 billion and DKK 3.01 billion, respectively, after inclusion of the total comprehensive income for the year, compared with DKK 1.92 billion, DKK 2.26 billion and DKK 2.69 billion as of 31 December 2015.

The capital contribution of the subordinated debt issued by the Group before 2014 is gradually being phased out until the end of 2017, as these do not completely fulfill the requirements in the CRR and the Danish transition rules. As of 31 December 2016, DKK 26 million of subordinated debt issued by the Bank under old regulation is included in the Tier 2 capital. In December 2016, the Group redeemed subordinated debt without capital contribution with a notional of DKK 149 million.

The statement of Total capital for the Group on page 43 and for Saxo Bank A/S on page 109 provides a specification of Total capital including Common equity tier 1 capital, Tier 1 capital and Tier 2 capital, and note 23 in the consolidated financial statements provides a specification of subordinated debt.

The unaudited Risk Report 2016 provides additional information regarding the Bank's and the Group's Regulatory Capital Structure (including regulatory capital disclosures) and is available at www.home.saxo/about-us/icaap-and-risk-reports.

TOTAL CAPITAL (continued)

Risk exposure amounts according to CRR
To calculate the minimum capital requirements, Pillar I, the Bank and Group applies the following methods according to CRR to calculate the risk exposure amounts:

Credit risk: Standard Methods

Market risk: Standard Methods

Operational risk: Standard Methods

The Bank and the Group does not take diversification effects between the risk categories into account. The risk exposure amounts for each risk category are simply aggregated.

The total risk exposure amounts was DKK 15.5 billion as of 31 December 2016 compared with DKK 13.0 billion as of 31 December 2015.

The unaudited Risk Report 2016 provides additional information about the Bank's and the Group's risk exposures amounts and is available at www.home.saxo/about-us/icaap-and-risk-reports.

Minimum requirements according to CRR
The minimum capital requirement for Common equity tier 1 is 4.5% of the risk exposure amounts.

The minimum capital requirement for Tier 1 capital is 6.0% of the risk exposure amounts.

The minimum capital requirement for Total capital is 8.0% of the risk exposure amounts.

The Group met the regulatory minimum capital requirements throughout the year 2016.

Additional buffer requirements
According to CRD IV the Group is required to hold a "capital conservation buffer" to absorb losses and to further protect the capital. In Denmark the capital conservation buffer is phased in with an annual increase of 0.625% until reaching the full requirement of 2.5% of the risk exposure amounts in 2019. In 2016 the capital conservation buffer was set to 0.625% of the risk exposure amounts.

Furthermore, the "countercyclical capital buffer" has been applicable since the beginning of 2015. The buffer level is set by the national authorities and aims to ensure that financial institutions in periods with high economic growth and times of stress, holds sufficient capital to be able to supply extensions of credit. The total countercyclical buffer rate for the Group was per 31 December 2016 close to 0%, as only a limited amount of credit exposures is residing in jurisdictions with buffer rates above 0%. The primary driver in the countercyclical buffer rate of both the Bank and the Group is the buffer rate set in Denmark.

If the combined buffer requirements mentioned above is not met, restrictions on the ability to pay dividends will be placed until the buffers are rebuild.

ICAAP requirement
The Group must hold a Total capital of 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.

The calculation of the ICAAP result is based on an internal process in which management assesses the overall risks. The ICAAP is updated regularly as capital requirements are subject to change. The Group met the regulatory capital requirements throughout the year 2016.

The ICAAP Q4 2016 Report provides information regarding the Bank's and the Group's ICAAP level. The quarterly ICAAP reports are available at www.home.saxo/about-us/icaap-and-risk-reports.

Leverage
CRD IV and CRR require the Group to report and monitor their leverage ratios. The leverage ratio is defined as Tier 1 capital divided by a non-risk based measure of an institution's on- and off-balance sheet items.

As of 31 December 2016 the Leverage Ratios were respectively 7.3% (2015: 8.7%) for the Bank and 6.0% (2015: 7.0%) for the Group, with both entities being above the expected 2018 minimum requirement of 3.0%.

The unaudited Risk Report 2016 provides additional information about the Bank's and the Group's leverage ratio and is available at www.home.saxo/about-us/icaap-and-risk-reports.

NOTES – KEY FIGURES AND RATIOS – SAXO BANK GROUP

(DKK 1,000)	**2016**	**2015**	**2014**	**2013**	**2012**
Highlights					
Net interest, fees and commissions	1,529,719	1,352,561	1,204,680	956,924	934,631
Price and exchange rate adjustments	1,399,969	774,130	1,802,151	1,904,040	2,031,754
Staff costs and administrative expenses	(2,083,830)	(2,296,832)	(2,008,907)	(2,048,121)	(2,508,063)
Impairment charges loans and receivables etc.	(96,816)	(40,338)	(1,745)	(16,834)	(39,947)
Income from associates and joint ventures	-	(53,099)	(74,076)	(16,457)	19,635
Net profit	302,448	(644,639)	381,224	162,161	80,892
Loans and other receivables at amortised cost	1,691,487	1,793,022	1,834,306	1,956,220	1,760,842
Subordinated debt	529,077	674,070	542,743	807,893	871,633
Total equity	4,238,400	3,938,427	4,225,224	3,492,681	3,364,506
Total assets	43,578,517	33,501,563	36,008,268	27,746,196	25,623,196
Full-time-equivalent staff (end of year)	1,639	1,516	1,485	1,406	1,480
EBITDA					
Net profit before tax adjusted for:	418,203	(778,361)	564,758	247,367	152,044
Depreciation and amortisation	*350,730*	*535,136*	*420,122*	*561,236*	*381,237*
Income from associates and joint ventures	-	*53,099*	*74,076*	*16,457*	*(19,635)*
Interest expenses, non-core	*76,220*	*80,745*	*40,081*	*72,971*	*92,250*
EBITDA	845,153	(109,381)	1,099,037	898,031	605,896
Impairment on loans and CVA adjustments	*80,000*	*802,134*	*124,871*	*253,032*	-
Divestments	*(10,253)*	*(15,378)*	-	*7,188*	-
Litigations, claims and restructuring	*18,176*	*161,487*	*66,647*	*48,307*	*112,469*
Gain on sale of claims	-	*(18,970)*	*(92,344)*	-	-
Other income and expenses, net	*21,419*	*44,848*	*9,881*	*16,704*	*6,469*
Adjusted EBITDA	954,495	864,740	1,208,092	1,223,262	724,834

Key figures and ratios continued on page 101.

NOTES – KEY FIGURES AND RATIOS – SAXO BANK GROUP

(DKK 1,000)	2016	2015	2014	2013	2012
Key figures and ratios					
Total capital ratio	19.5%	20.7%	19.7%	16.2%	13.5%
Tier 1 capital ratio	17.1%	17.4%	18.3%	13.3%	10.1%
Return on equity before tax	10.2%	(19.1)%	14.6%	7.2%	4.6%
Return on equity after tax	7.4%	(15.8)%	9.9%	4.7%	2.4%
Income/cost ratio	116.5%	73.1%	123.0%	109.2%	105.2%
Interest rate risk	4.3%	2.5%	2.0%	0.6%	1.1%
Foreign exchange rate risk/Tier 1 capital	20.2%	15.0%	37.6%	40.6%	109.2%
Value at risk of foreign exchange rate risk/Tier 1 capital	0.0%	0.2%	0.2%	0.2%	2.5%
Loans and other receivables plus impairment allowance/ Deposits	6.8%	8.5%	9.1%	11.7%	11.8%
Loans and other receivables proportional to Total equity	0.40	0.46	0.43	0.56	0.52
Growth in loans and other receivables	(5.7)%	(2.3)%	(6.2)%	11.1%	4.2%
Additional liquidity/liquidity requirement	438.1%	387.1%	399.1%	316.0%	373.9%
Sum of large exposures/Total capital	-	-	-	-	-
Loss and provisions ratio (loans and other receivables)	3.5%	1.4%	0.1%	1.1%	1.2%
Return on assets	0.7%	(1.9)%	1.1%	0.6%	0.3%

See page 102 for definitions.

NOTES – DEFINITIONS OF KEY FIGURES AND RATIOS

Key figures and ratios	**Definitions**
EBITDA	Net profit before tax, depreciation, amortisation, income from associates and joint ventures and non-core interest expenses.
Adjusted EBITDA	EBITDA adjusted for income and expenses that are not considered to be recurring and are of such character or size that it is considered to have significant impact on the Group's net profit.
Common equity tier 1 capital (CET1)	Primarily paid-up share capital and retained earnings excluding intangible assets and other deductions.
Additional tier 1 capital (AT1)	Loans which are part of the Tier 1 capital. If equity is lost then this capital instrument type is used to cover the losses.
Tier 1 capital	Common equity tier 1 capital and Additional tier 1 capital.
Tier 2 capital	Subordinated debt capital subject to certain restrictions.
Total capital	Tier 1 and Tier 2 capital.
CET 1 capital ratio	Common equity tier 1 capital as a percentage of Risk exposure amounts.
Tier 1 capital ratio	Tier 1 capital as a percentage of Risk exposure amounts.
Total capital ratio	Capital base as a percentage of Risk exposure amounts.
Return on equity before tax	Profit before tax as a percentage of average Total equity.
Return on equity after tax	Net profit as a percentage of average Total equity.
Income/cost ratio	Total income divided by expenses, including impairment charges.
Interest rate risk	Interest rate risk under market risk as a percentage of Tier 1 capital.
Foreign exchange rate risk/Tier 1 capital	Foreign exchange rate risk as a percentage of Tier 1 capital.
Value at risk of foreign exchange rate risk/ Tier 1 capital	Value at risk of foreign exchange rate risk as a percentage of Tier 1 capital.
Loans and other receivables plus impairment charges/Deposits	Loans and other receivables gross (before impairment charges) as a percentage of Deposits.
Loans and other receivables proportional to Total equity	Loans and other receivables proportional to Total equity.
Growth in Loans and other receivables	Increase in Loans and other receivables as a percentage of the previous financial year.
Additional liquidity/liquidity requirement	Cash in hand and demand deposits with central banks plus Receivables from credit institutions and central banks plus equity investments of secure and easily realisable securities and credit funds not used as collateral, less the liquidity requirement as a percentage of the liquidity requirement.
Sum of large exposures/Total capital	Large exposures as a percentage of Total capital.
Loss and provisions ratio	Loss and provisions for bad debt on Loans and other receivables as a percentage of Loans and other receivables plus Guarantees.
Return on assets	Net profit proportional to Total assets.
Number of full-time-equivalent staff at 31 December	Number of part-time staff translated into full-time staff at the end of the year.

PARENT COMPANY – SAXO BANK A/S

INCOME STATEMENT – SAXO BANK A/S

1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2016	2015
2	Interest income	1,138,580	1,046,909
3	Interest expense	(151,774)	(143,157)
	Net interest income	**986,806**	**903,752**
4	Fee and commission income	1,136,110	1,116,684
5	Fee and commission expense	(1,685,137)	(1,784,977)
	Net interest, fees and commissions	**437,779**	**235,459**
6	Price and exchange rate adjustments	1,395,413	1,029,692
	Operating income	**1,833,192**	**1,265,151**
7	Other income	57,087	60,193
8	Staff costs and administrative expenses	(1,295,774)	(1,527,141)
14,15	Depreciation, amortisation and impairment of intangible and tangible assets	(338,062)	(519,821)
	Other expenses	(4,791)	(5,642)
	Impairment charges loans and receivables etc.	(25,009)	(828)
	Income from associates, subsidiaries and joint ventures	170,795	(46,820)
	Profit before tax	**397,438**	**(774,908)**
9	Tax	(69,384)	151,644
	Net profit	**328,054**	**(623,264)**
	Net profit attributable to:		
	Equity method reserve	105,804	(187,581)
	Additional tier 1 capital holders	32,643	32,656
	Retained earnings	189,607	(468,339)
	Net profit	**328,054**	**(623,264)**

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK A/S

1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2016	2015
	Net profit	**328,054**	**(623,264)**
	Other comprehensive income		
	Items that will not be reclassified subsequently to income statement:		
	Other comprehensive income from subsidiaries, net of tax	(20,326)	2,657
	Items that will not be reclassified subsequently to income statement	(20,326)	2,657
	Items that are or may be reclassified subsequently to income statement:		
	Exchange rate adjustments	(13,573)	125,150
20	Hedge of net investments in foreign entities	22,146	(63,118)
	Other comprehensive income from subsidiaries, net of tax	(147)	8,248
	Other comprehensive income from associates, net of tax	-	13
9	Tax	(4,892)	14,833
	Items that are or may be reclassified subsequently to income statement	3,534	85,126
	Total other comprehensive income	**(16,792)**	**87,783**
	Total comprehensive income	**311,262**	**(535,481)**
	Total comprehensive income attributable to:		
	Equity method reserve	89,012	(99,798)
	Additional tier 1 capital holders	32,643	32,656
	Retained earnings	189,607	(468,339)
	Total comprehensive income	**311,262**	**(535,481)**

STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S

AT 31 DECEMBER

Note	(DKK 1,000)	2016	2015
	ASSETS		
	Cash in hand and demand deposits with central banks	4,025,912	1,399,428
10	Receivables from credit institutions and central banks	375,600	612,230
11,12	Loans and other receivables at amortised cost	102,261	38,565
13	Bonds at fair value	23,024,327	16,806,766
	Equities etc.	4,624	4,516
	Investments in subsidiaries	1,946,498	1,863,256
14	Intangible assets	1,635,863	1,703,224
15	Tangible assets	64,891	59,827
	Tax receivables	3,142	1,415
9	Deferred tax assets	2,192	66
	Other assets	6,143,389	5,428,142
	Prepayments	43,591	47,801
	Total assets	**37,372,290**	**27,965,236**
	LIABILITIES		
16	Debt to credit institutions and central banks	8,888,838	4,084,568
17	Deposits	20,205,894	16,255,724
	Tax liabilities	51,315	34,043
	Other liabilities	3,374,317	2,902,669
	Total debt	**32,520,364**	**23,277,004**
9	Deferred tax liabilities	14,169	6,339
	Provision for guarantees	23,000	-
	Other provisions	88,423	111,394
	Total provisions	**125,592**	**117,733**
18	**Subordinated debt**	**529,077**	**674,070**
19	**EQUITY**		
	Share capital	68,284	68,284
	Equity method reserve	225,802	136,539
	Retained earnings	3,557,145	3,345,522
	Shareholders of Saxo Bank A/S	**3,851,231**	**3,550,345**
	Additional tier 1 capital	346,026	346,084
	Total equity	**4,197,257**	**3,896,429**
	Total liabilities and equity	**37,372,290**	**27,965,236**

STATEMENT OF CHANGES IN EQUITY – SAXO BANK A/S
AT 31 DECEMBER

(DKK 1,000)	Share capital	Equity method reserve	Retained earnings	Total	Additional tier 1 capital	Total
Equity at 1 January 2015	**66,618**	**234,916**	**3,559,353**	**3,860,887**	**337,976**	**4,198,863**
Net profit	-	(187,581)	(468,339)	(655,920)	32,656	(623,264)
Other comprehensive income						
Exchange rate adjustments	-	125,150	-	125,150	-	125,150
Hedge of net investments in foreign entities	-	(63,118)	-	(63,118)	-	(63,118)
Other comprehensive income from subsidiaries, net of tax	-	10,905	-	10,905	-	10,905
Other comprehensive income from associates, net of tax	-	13	-	13	-	13
Tax	-	14,833	-	14,833	-	14,833
Total other comprehensive income	-	87,783	-	87,783	-	87,783
Total comprehensive income	**-**	**(99,798)**	**(468,339)**	**(568,137)**	**32,656**	**(535,481)**
Transactions with owners						
Tier 1 issuance	-	-	(201)	(201)	-	(201)
Tier 1 interest payments	-	-	-	-	(24,548)	(24,548)
Share-based payments	-	1,421	11,523	12,944	-	12,944
Increase in share capital, net of transaction costs[1]	1,666	-	226,267	227,933	-	227,933
Treasury shares	-	-	10,441	10,441	-	10,441
Other equity movements	-	-	(1,193)	(1,193)	-	(1,193)
Tax	-	-	7,671	7,671	-	7,671
Equity at 31 December 2015	**68,284**	**136,539**	**3,345,522**	**3,550,345**	**346,084**	**3,896,429**
Net profit	-	105,804	189,607	295,411	32,643	328,054
Other comprehensive income						
Exchange rate adjustments	-	(13,573)	-	(13,573)	-	(13,573)
Hedge of net investments in foreign entities	-	22,146	-	22,146	-	22,146
Other comprehensive income from subsidiaries, net of tax	-	(20,473)	-	(20,473)	-	(20,473)
Tax	-	(4,892)	-	(4,892)	-	(4,892)
Total other comprehensive income	-	(16,792)	-	(16,792)	-	(16,792)
Total comprehensive income	**-**	**89,012**	**189,607**	**278,619**	**32,643**	**311,262**
Transactions with owners						
Tier 1 interest payments	-	-	-	-	(32,701)	(32,701)
Share-based payments	-	251	15,170	15,421	-	15,421
Other equity movements	-	-	(335)	(335)	-	(335)
Tax	-	-	7,181	7,181	-	7,181
Equity at 31 December 2016	**68,284**	**225,802**	**3,557,145**	**3,851,231**	**346,026**	**4,197,257**

[1] Transaction costs deducted from equity, DKK 5 million.

STATEMENT OF TOTAL CAPITAL – SAXO BANK A/S

AT 31 DECEMBER

(DKK 1,000)	2016	2015
Tier 1 capital		
Total equity 1 January	3,550,345	3,860,887
Net profit	328,054	(623,264)
Accrued interest (dividend) on Additional tier 1 capital	(32,643)	(32,656)
Cost of issuance of Additional tier 1 capital	-	(201)
Share-based payments	15,420	12,944
Total other comprehensive income	(16,792)	87,783
Change in Common equity tier 1 capital (CET1 capital)	(334)	237,181
Intangible assets	(1,635,863)	(1,703,224)
Deferred tax liabilities, intangible assets	83,199	148,420
Deferred tax assets	(16,112)	(77,044)
Prudent valuation adjustments	(2,953)	(2,949)
Common equity tier 1 capital (net after deduction)	**2,272,321**	**1,907,877**
Additional tier 1 capital	334,802	334,802
Total Tier 1 capital	**2,607,123**	**2,242,679**
Tier 2 capital		
Subordinated debt, new regulation	343,215	338,224
Subordinated debt, old regulation, reduced value	26,275	92,385
Total Tier 2 capital	**369,490**	**430,609**
Total capital	**2,976,613**	**2,673,288**

	2016	2015
Risk exposure amounts		
Credit risk	5,404,426	3,795,520
Market risk	3,452,321	2,502,857
Operational risk	3,232,306	3,724,099
Total Risk exposure amounts	**12,089,053**	**10,022,476**
Common equity tier 1 ratio	18.8%	19.0%
Tier 1 capital ratio	21.6%	22.4%
Total capital ratio	24.6%	26.7%

Total capital is calculated in accordance with CRD IV and CRR which have been applicable from beginning of year 2014 and taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority.

The unaudited Saxo Bank Risk Report 2016 provides further information on the accessment of the regulatory capital and is available at the Group's website www.home.saxo/about-us/icaap-and-risk-reports.

Note (DKK 1,000)

1 Accounting policies

The financial statements of Saxo Bank A/S have 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. 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.

Comparative figures
Certain minor changes have been made to the comparative figures for 2015, due to reclassifications.

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

Investments in subsidiaries
Investments in subsidiaries are measured in accordance with the equity method, which means that the investments are measured at the parent companys proportionate share of the net asset value of the subsidiaries at the reporting date. Profit or loss from investments in subsidiaries represents Saxo Bank A/S' share of the profit and loss after tax. The net revaluation is recognised in equity under Equity method reserve.

Acquisitions of non-controlling interests in subsidiaries are accounted for as additional investments. If the cost of the investment exceeds the net asset value the excess amount is recognised as goodwill. If the excess is negative, the negative amount is recognised in the income statement. Gains or losses on transactions with non-controlling interests are recognised in the income statement.

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

Equity method reserve
The equity method reserve comprises value adjustments of equity investments in subsidiaries, associates and joint ventures according to the equity method. The reserves are reduced by the dividends distributed to Saxo Bank A/S, and other movements in the shareholders' equity of the investments, or if the equity investments are realised in whole or in part.

The format of the financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRS.

Note	(DKK 1,000)	2016	2015
2	**Interest income**		
	Credit institutions and central banks	12,548	17,173
	Loans and other receivables	81,094	69,313
	Bonds	137,645	107,209
	Derivative financial instruments	907,191	852,743
	Other interest income	102	471
	Total interest income	**1,138,580**	**1,046,909**
3	**Interest expense**		
	Credit institutions and central banks	(35,523)	(30,985)
	Deposits	(9,673)	(7,528)
	Subordinated debt	(60,067)	(46,289)
	Derivative financial instruments	(46,511)	(58,355)
	Total interest expense	**(151,774)**	**(143,157)**
4	**Fee and commission income**		
	Trading with equities and derivative financial instruments	1,136,110	1,116,684
	Total fee and commission income	**1,136,110**	**1,116,684**
5	**Fee and commission expense**		
	Trading with equities and derivative financial instruments	(1,685,137)	(1,784,977)
	Total fee and commission expense	**(1,685,137)**	**(1,784,977)**
6	**Price and exchange rate adjustments**		
	Bonds	(120,086)	(96,840)
	Foreign exchange	1,140,941	698,571
	Derivative financial instruments[1)]	374,558	427,961
	Total price and exchange rate adjustments	**1,395,413**	**1,029,692**

[1)] Other than foreign exchange.

Net income from Price and exchange rate adjustments related to Foreign exchange has increased to DKK 1,141 million in 2016 from DK 699 million in 2015. In 2015 the Foreign exchange was negatively affected by the removal of the fixed floor between the Swiss franc and the Euro in January 2015, which resulted in a net loss. The net loss was primarily due to credit value adjustments related to foreign exchange contracts with clients who were unable to cover their losses on positions in Swiss franc.

Price and exchange rate adjustments related to derivative financial instruments are in 2016 not affected by credit value adjustments (2015: DKK 58 million).

		2016	2015
7	**Other income**		
	Gain on divestments	18,852	29,928
	Service agreements and administrative services	32,252	24,329
	Other	5,983	5,936
	Total other income	**57,087**	**60,193**

Note	(DKK 1,000)	2016	2015
8	**Staff costs and administrative expenses**		
	Staff costs	(626,080)	(687,336)
	Administrative expenses	(669,694)	(839,805)
	Total staff costs and adminstratives expenses	**(1,295,774)**	**(1,527,141)**
	Staff costs		
	Salaries	(632,965)	(681,331)
	Share-based payments	(8,274)	(7,483)
	Defined contribution plans	(55,906)	(52,992)
	Social security expenses and financial services employer tax	(81,534)	(76,752)
	Staff cost transferred to software under development	152,599	131,222
	Total staff costs	**(626,080)**	**(687,336)**
	Number of full-time-equivalent staff (avg.)	**940**	**647**

Remuneration to Board of Directors and the Board of Management and description on Share-based payments are disclosed in note 33 Remuneration of management and significant risk takers in the consolidated financial statements.

Remuneration of significant risk takers	**2016**	**2015**
Number of significant risk takers (full-time-equivalents)	21	23
Fixed remuneration	(63,708)	(53,305)
Variable remuneration	(8,245)	(8,580)
Total remuneration of significant risk takers	**(71,953)**	**(61,885)**

Saxo Bank A/S has no pension obligations towards significant risk takers as their pension schemes are defined contribution plans. Variable remuneration is determined according 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 33 Remuneration of management and significant risk takers in the consolidated financial statements.

Disclosures on remuneration in according to article 450 in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and 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.home.saxo/about-us/investor-relations. The disclosures are not covered by the statutory audit.

Note	(DKK 1,000)	2016	2015
9	**Tax**		
	Reconciliation of effective tax rate		
	Profit before tax	397,438	(774,908)
	Tax using the Danish tax rate 22% (2015: 23.5%)	(87,436)	182,103
	Effect of tax rates in foreign jurisdictions	(2,284)	325
	Changes in deferred tax from change in tax rate	-	(6,720)
	Non tax-deductible expenses	(6,104)	(21,832)
	Tax-exempt income	1,540	9,504
	CFC taxation	(13,055)	(8,460)
	Non exempted withholding tax	(928)	(1,474)
	Effect of tax on income from subsidiaries and associates	37,575	(11,003)
	Adjustments to tax previous years	1,308	9,201
	Total income tax recognised in income statement	**(69,384)**	**151,644**
	Effective tax rate	**17.5%**	**19.6 %**

2016	**Income statement**	**Other com-prehensive income**	**Directly in equity**	**Total**
Current tax	(58,110)	-	-	(58,110)
Changes in deferred tax for the year	(11,654)	(4,892)	7,181	(9,365)
Non exempted withholding tax	(928)	-	-	(928)
Adjustments to previous years	1,308	-	-	1,308
Total	**(69,384)**	**(4,892)**	**7,181**	**(67,095)**

2015	**Income statement**	**Other com-prehensive income**	**Directly in equity**	**Total**
Current tax	(11,005)	-	-	(11,005)
Changes in deferred tax for the year	161,642	14,833	7,671	184,146
Changes in deferred tax from change in tax rate	(6,720)	-	-	(6,720)
Non exempted withholding tax	(1,474)	-	-	(1,474)
Adjustments to previous years	9,201	-	-	9,201
Total	**151,644**	**14,833**	**7,671**	**174,148**

Note (DKK 1,000)

9 Tax · continued

Tax recognised in Other comprehensive income

2016	**Before tax**	**Tax**	**Net of tax**
Exchange rate adjustments	(13,573)	-	(13,573)
Hedge of net investments in foreign entities	22,146	(4,892)	17,254
Other comprehensive income from subsidiaries, net of tax	(20,473)	-	(20,473)
Total	**(11,900)**	**(4,892)**	**(16,792)**

2015	**Before tax**	**Tax**	**Net of tax**
Exchange rate adjustments	125,149	-	125,149
Hedge of net investments in foreign entities	(63,118)	14,833	(48,285)
Other comprehensive income from subsidiaries, net of tax	10,905	-	10,905
Other comprehensive income from associates, net of tax	13	-	13
Total	**72,949**	**14,833**	**87,782**

Deferred tax assets and deferred tax liabilities	**2016**	**2015**
Deferred tax at 1 january, net	(6,273)	(174,003)
Additions from acquisitions	2,590	-
Changes in deferred tax for the year	(9,365)	184,146
Change in deferred tax from changes in tax rate	-	(6,720)
Deferred tax utilised in the Danish Joint taxation	(114)	(10,600)
Adjustments to tax previous years	1,084	886
Exchange rate adjustments	101	18
Deferred tax at 31 December, net	**(11,977)**	**(6,273)**

	Deferred tax assets		**Deferred tax liabilities**		**Total deferred tax**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Intangible assetes	-	-	(83,199)	(148,420)	(83,199)	(148,420)
Tangible assets	-	-	24,925	21,395	24,925	21,395
Tax losses carried forward	-	-	16,112	77,044	16,112	77,044
Other provisions	2,192	66	27,993	43,642	30,185	43,708
Total	**2,192**	**66**	**(14,169)**	**(6,339)**	**(11,977)**	**(6,273)**

Note	(DKK 1,000)	2016	2015
10	**Receivables from credit institutions and central banks**		
	Demand deposits, credit institutions	375,600	612,230
	Total receivables from credit institutions and central banks	**375,600**	**612,230**
11	**Loans and other receivables at amortised cost**		
	Demand deposits:		
	Trading clients	9,599	12,782
	Lending clients	-	140
	Subsidiaries	92,662	25,643
	Total loans and other receivables at amortised cost	**102,261**	**38,565**
	Loans, other receivables and guarantees by sector and industry		
	Finance and insurance	91%	69%
	Other business	3%	16%
	Total corporate sector	**94%**	**85%**
	Private clients	6%	15%
	Total loans, other receivables and guarantees	**100%**	**100%**
12	**Impairment charges loans and receivables etc.**		
	Individual impairment charges for loans, receivables and guarantees		
	Impairment charges at 1 January	3,260	2,432
	Impairment for the year	25,009	828
	Individual impairment charges for loans, receivables and guarantees at 31 December	**28,269**	**3,260**
13	**Bonds at fair value**		
	Quoted on NASDAQ OMX Nordic	12,503,304	4,099,206
	Quoted on other stock exchanges	10,521,023	12,707,560
	Total bonds at fair value	**23,024,327**	**16,806,766**

Note (DKK 1,000)

14 Intangible assets

2016	Goodwill	Software under development	Software developed	Software purchased	Other	Total
Cost at 1 January	1,021,372	61,714	2,266,370	101,279	4,347	3,455,082
Additions	7,003	226,220	-	3,404	-	236,627
Transfers from internal development	-	(245,456)	245,456	-	-	-
Disposals	-	-	-	(80)	-	(80)
Exchange rate adjustments	8,607	-	-	24	-	8,631
Cost at 31 December	**1,036,982**	**42,478**	**2,511,826**	**104,627**	**4,347**	**3,700,260**
Amortisation and impairment at 1 January	(79,849)	-	(1,583,748)	(83,914)	(4,347)	(1,751,858)
Amortisation	-	-	(299,796)	(10,694)	-	(310,490)
Impairment losses[1)]	-	-	(2,110)	-	-	(2,110)
Disposals	-	-	-	80	-	80
Exchange rate adjustments	-	-	-	(19)	-	(19)
Amortisation and impairment at 31 December	**(79,849)**	**-**	**(1,885,654)**	**(94,547)**	**(4,347)**	**(2,064,397)**
Carrying amount at 31 December	**957,133**	**42,478**	**626,172**	**10,080**	**-**	**1,635,863**

2015	Goodwill	Software under development	Software developed	Software purchased	Other	Total
Cost at 1 January	962,077	34,650	2,064,459	95,712	4,347	3,161,245
Additions	-	229,024	-	5,622	-	234,646
Transfers from internal development	-	(201,960)	201,960	-	-	-
Disposals	-	-	(49)	(42)	-	(91)
Exchange rate adjustments	59,295	-	-	(13)	-	59,282
Cost at 31 December	**1,021,372**	**61,714**	**2,266,370**	**101,279**	**4,347**	**3,455,082**
Amortisation and impairment at 1 January	(25,000)	-	(1,164,021)	(72,111)	(4,347)	(1,265,479)
Amortisation	-	-	(335,434)	(11,711)	-	(347,145)
Impairment losses[1)]	(54,849)	-	(84,342)	(149)	-	(139,340)
Disposals	-	-	49	43	-	92
Exchange rate adjustments	-	-	-	14	-	14
Amortisation and impairment at 31 December	**(79,849)**	**-**	**(1,583,748)**	**(83,914)**	**(4,347)**	**(1,751,858)**
Carrying amount at 31 December	**941,523**	**61,714**	**682,622**	**17,365**	**-**	**1,703,224**

[1)]For details of impairment losses, see note 17 Impairment test in the consolidated financial statements.

Note (DKK 1,000)

15 Tangible assets

2016	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Total
Cost at 1 January	69,421	94,012	245,275	408,708
Additions	5,597	5,070	20,201	30,868
Disposals	(297)	(1,420)	(790)	(2,507)
Exchange rate adjustments	251	384	(321)	314
Cost at 31 December	**74,972**	**98,046**	**264,365**	**437,383**
Depreciation and impairment losses at 1 January	(62,475)	(66,651)	(219,755)	(348,881)
Depreciation	(5,496)	(3,809)	(15,990)	(25,295)
Impairment	-	(167)	-	(167)
Disposals	120	892	648	1,660
Exchange rate adjustments	(65)	(178)	434	191
Depreciation and impairment at 31 December	**(67,916)**	**(69,913)**	**(234,663)**	**(372,492)**
Carrying amount at 31 December	**7,056**	**28,133**	**29,702**	**64,891**

2015	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Total
Cost at 1 January	70,146	99,639	229,714	399,499
Additions	728	251	18,177	19,156
Disposals	(1,440)	(5,658)	(2,623)	(9,721)
Exchange rate adjustments	(13)	(220)	7	(226)
Cost at 31 December	**69,421**	**94,012**	**245,275**	**408,708**
Depreciation and impairment losses at 1 January	(57,203)	(65,525)	(201,548)	(324,276)
Depreciation	(6,277)	(6,353)	(20,570)	(33,200)
Impairment	-	-	(137)	(137)
Disposals	992	5,024	2,610	8,626
Reclassification	-	-	(138)	(138)
Exchange rate adjustments	13	203	28	244
Depreciation and impairment at 31 December	**(62,475)**	**(66,651)**	**(219,755)**	**(348,881)**
Carrying amount at 31 December	**6,946**	**27,361**	**25,520**	**59,827**

Note	(DKK 1,000)	2016	2015
16	**Debt to credit institutions and central banks**		
	Debt on demand	8,888,838	4,084,568
	Total debt to credit institutions and central banks	**8,888,838**	**4,084,568**

Debt on demand include DKK 134 million (2015: DKK 0 million) placed as collateral for unrealised client trading positions as at 31 December, see note 27 Offsetting financial assets and liabilities in the consolidated financial statements.

		2016	2015
17	**Deposits**		
	Deposits on demand	20,205,894	16,255,724
	Total deposits	**20,205,894**	**16,255,724**

Deposits on demand include DKK 2,319 million (2015: DKK 2,426 million) placed as collateral for unrealised client trading positions as at 31 December, see note 27 Offsetting financial assets and liabilities in the consolidated financial statements.

18 Subordinated debt

				Margin first period		Margin second period		Margin third period			
Cur-rency	**Year of issue**	**Maturity**	**Interest**	**Rate**	**Years**	**Rate**	**Years**	**Rate**	**Years**	**2016**	**2015**
EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	3	-	-	-	7,463
EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	3	-	-	-	52,243
EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	3	-	-	-	89,559
EUR	2007	15.09.2020	EURIBOR	2.95%	10	3.95%	3	-	-	111,517	111,949
EUR	2007	15.09.2020	EURIBOR	2.95%	10	3.95%	3	-	-	74,345	74,632
EUR	2015	14.04.2025	Fixed/EURIBOR[1]	14.40%	0.25	12.00%	4.75	12.30%	5	343,215	338,224
Total Tier 2 capital instruments										**529,077**	**674,070**

[1] Interest is fixed in first and second margin period and EURIBOR apply in third margin period.

Hereof included in Total capital DKK 369.5 million (2015: DKK 430.6 million).

In case of the Bank's voluntary or compulsory winding-up the Tier 2 capital instruments will not be repaid until the claims of ordinary creditors have been met. The ranking in coverage is that Additional tier 1 capital ranks below Tier 2 capital.

Early redemption of subordinated debt is subject to approval from the Danish Financial Supervisory Authority (DFSA).

In December 2016 the Group has redeemed nominal EUR 20 million of the subordinated debt by early redemption after approval from DFSA.

Convertible Tier 2 capital
In 2015 Saxo Bank A/S issued for nominal EUR 50 million Subordinated Fixed Rate Resettable Convertible Tier 2 Notes with maturity date 14 April 2025. The Tier 2 notes can be optionally redeemed by Saxo Bank A/S from 14 April 2020.

For a more detailed description of the Convertible Tier 2 capital please refer to note 23 Subordinated debt in the consolidated financial statements.

19 Equity

As at 31 December 2016, the share capital consisted of 68,283,943 (2015: 68,283,943) shares with a nominal value of DKK 1. Holding of treasury shares is disclosed in note 25 Equity in the consolidated financial statements.

Tier 1 capital notes including carrying interests included in equity amounts to DKK 346 million (2015: DKK 346 million).

Note (DKK 1,000)

20 Hedge accounting

Saxo Bank A/S hedges the exchange rate risk of net investments in certain foreign entities excluding goodwill by establishing hedge relationships between it's net investment in foreign entities and currency derivatives or a non-derivative currency financial liability designated as the hedging instruments. Saxo Bank A/S does not hedge the entities' expected income or other future transactions. At 31 December 2016 the fair value of the hedging instruments amounted to DKK 1,389 million (2015: 1,273 million). The corresponding carrying amount of net investments hedged amounted to DKK 1,398 million (2015: 1,283 million).

21 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2016 the following shareholders are registered as holders of more than 5% of the share capital of Saxo Bank A/S:

Fournais Holding A/S, DK-2850 Naerum, Denmark.
Seier Capital A/S, DK-1256 Copenhagen, Denmark.
TPG Merl Sarl, L-2453, Luxembourg.
Gold Shine Investment Holding Pte. Ltd., S-048616, Singapore.

	Board of Directors and Board of Management		Parties with significant influence[1]		Subsidiaries		Associates[2]	
(DKK million)	2016	2015	2016	2015	2016	2015	2016	2015
Loans and other receivables at amortised cost	-	-	-	-	91.6	28.2	-	-
Deposits (liabilities)	0.1	3.3	0.7	-	3,642.1	2,814.2	-	-
Trading assets	-	-	-	-	447.0	436.4	-	-
Other assets	-	-	-	-	30.5	101.7	-	-
Other liabilities	-	-	-	-	5.4	33.0	-	-
Interest income	-	-	-	-	57.4	50.5	-	4.3
Fee and commission income	-	-	-	-	1.1	-	-	21.1
Fee and commission expense	-	-	-	-	841.3	847.4	-	13.8
Other services (income)	0.8	1.0	-	-	32.2	24.3	-	-
Other services (expense)	-	-	14.3	-	3.5	17.6	-	-
Client support services	-	-	-	-	61.2	58.4	-	-
Leases	-	-	-	-	40.5	39.7	-	-
Subleases	-	-	-	-	1.5	1.3	-	-
Software development	-	-	-	-	22.3	83.2	-	-
Impairment on guarantees	-	-	-	-	23.0	-	-	-
Dividend from subsidiaries	-	-	-	-	70.7	525.0	-	-
Capital increases	-	-	-	-	24.7	117.1	-	-

1) Relates to parties not already disclosed as part of the Board of Management.
2) The 25% ownership in Banco Best S.A. was divested in November 2015.

Remuneration to Board of Directors and Board of Management is disclosed in note 33 Remuneration of management and significant risk takers 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.

Note (DKK 1,000)

22 Branches and subsidiaries specified by country at a consolidated basis

Entity	Activity	2016 Income[1]	Profit before tax	Tax	Full-time-equivalent staff
Australia	Trading and investment	73,258	17,235	(6,131)	16
Brazil	Trading and investment	17,675	2,259	(837)	6
China	Sales and marketing	9,074	427	29	15
Cyprus[2]	Sales and marketing	50,163	3,371	(640)	44
Czech Republic[2]	Sales and marketing	11,871	1,078	(239)	7
Denmark	Other[3]	346,626	(67,682)	12,182	211
Dubai	Trading and investment	13,955	1,210	-	5
France	Trading and investment	95,674	5,722	(4,285)	32
Hong Kong	Trading and investment	36,428	17,425	(1,632)	10
India[2]	IT-development	112,220	22,324	(7,341)	462
Italy[2]	Sales and marketing	12,465	(230)	(281)	6
Japan	Trading and investment	38,078	10,134	(4,203)	14
Netherlands[2]	Sales and marketing	19,100	1,712	(353)	6
Panama	Trading and investment	3,263	(883)	-	-
Poland[2]	Sales and marketing	6,496	180	(103)	-
Singapore	Trading and investment	246,945	104,243	(12,357)	87
South Africa	Trading and investment	35,870	10,517	(3,997)	12
Spain[2]	Sales and marketing	1,198	107	(32)	-
Switzerland	Trading and investment	227,514	15,014	(5,540)	56
Turkey	Trading and investment	15,976	1,788	(516)	15
UK	Sales and marketing[2],Trading and investment	286,042	63,681	(13,064)	84
Uruguay	Trading and investment	13,829	(2,736)	-	12

[1] Income is defined as the sum of Interests income, Fee and commission income and Other income.

[2] Branches of Saxo Bank A/S.

[3] Other activities include management of domicile property, payment services, retail banking and asset management.

Note 35 in the consolidated financial statements provides information on the company names of the Group's siginificant subsidiaries.

Note	(DKK 1,000)	2016	2015
23	**Contingent and other contractual commitments**		
	Guarantees		
	Financial guarantees	139,339	133,281
	Guarantees issued to subsidiaries	27,000	50,000
	Other guarantees	7,287	84,425
	Total guarantees	**173,626**	**267,706**
	Other contractual commitments		
	Rent commitments towards subsidiaries	467,571	503,527
	Other contractual commitments incl. operating leases	176,105	181,499
	Total other contractual commitments	**643,676**	**685,026**

Due to the business volume of the Bank, disputes with clients 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.

Saxo Bank A/S has issued a letter of support to the Monetary Authorities in Singapore concerning the operations of Saxo Capital Markets Pte. Ltd. The effect of this has been included in Financial guarantees above.

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

Saxo Bank A/S is administration company in the Danish joint taxation. Saxo Bank A/S is taxed jointly with all Danish entities in Saxo Bank Group and is jointly and severally liable for payments of Danish corporate tax and withholding tax etc.

24 Assets deposited as collateral

Of the Bank's bond holdings, bonds with a nominal value of DKK 4.8 billion (2015: DKK 4.5 billion), and a fair value of DKK 4.8 billion (2015: DKK 4.5 billion), are held in custody with institutions. The bonds serve as security for the Bank's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Bank's open positions against these institutions. At 31 December 2016, 21% (2015: 27%) of the Bank's total fair value of the bonds were held in custody.

Of deposits with investment brokers, banks and other credit institutions, DKK 105.8 million (2015: DKK 380.7 million) serve as collateral for the Bank's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Bank's open positions against these institutions.

25 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 counterparties of the Bank failing to fulfil all or part of their payment obligations to the Bank
- 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.

In addition to the credit risk described in Risk Management for the Group Saxo Bank A/S has credit exposure against its subsidiaries due to granted trading and credit lines. The unutilised lines as per 31 December 2016 can be terminated on demand.

Market and credit risk related to derivative financial instruments is disclosed in Risk Management and in note 27 Offsetting financial assets and liabilities in the consolidated financial statements. Derivative financial instruments relate to trading portfolio and are included in Other assets and Other liabilities.

The Management's Report and Risk Report 2016 provide additional information about Saxo Bank A/S' risk management approach. Risk Report 2016 is available for download from the Group's website at www.home.saxo/about-us/icaap-and-risk-reports. The Risk Report is not covered by the statutory audit.

Note	(DKK 1,000)	2016	2015	2014	2013	2012
26	**Key figures and ratios**					
	Highlights					
	Net interest, fees and commissions	437,779	235,459	115,772	(93,018)	(35,145)
	Price and exchange rate adjustments	1,395,413	1,029,692	1,752,589	1,887,130	2,052,912
	Staff costs and administrative expenses	(1,295,774)	(1,527,141)	(1,323,609)	(1,392,763)	(1,707,836)
	Impairment charges loans and receivables etc.	(25,009)	(828)	13,347	(1,572)	(14,670)
	Income from associates, subsidiaries and joint ventures	170,795	(46,820)	246,580	239,350	45,239
	Net profit	328,054	(623,264)	399,722	151,902	67,573
	Loans and other receivables at amortised cost	102,261	38,565	75,484	351,926	489,623
	Subordinated debt	529,077	674,070	335,133	410,300	410,314
	Total equity	4,197,257	3,896,429	4,198,863	3,458,012	3,334,287
	Total assets	37,372,290	27,965,236	30,200,852	22,004,376	20,115,794
	Key figures and ratios					
	Total capital ratio	24.6%	26.7%	22.1%	18.0%	13.7%
	Tier 1 capital ratio	21.6%	22.4%	20.5%	15.1%	10.5%
	Return on equity before tax	9.8%	(19.1)%	13.0%	5.7%	3.1%
	Return on equity after tax	8.1%	(15.4)%	10.4%	4.5%	2.1%
	Income/cost ratio	123.9%	62.3%	129.0%	110.0%	104.9%
	Interest rate risk	4.8%	3.0%	2.9%	2.0%	1.3%
	Foreign exchange rate risk/Tier 1 capital	16.5%	9.6%	37.0%	38.2%	115.6%
	Value at risk of foreign exchange rate risk/Tier 1 capital	0.1%	0.2%	0.2%	0.2%	2.5%
	Loans and other receivables plus impairment allowance/ Deposits	0.6%	0.3%	0.5%	3.4%	5.4%
	Loans and other receivables proportional to total equity	0.02	0.01	0.02	0.10	0.15
	Growth in loans and advances	165.2%	(48.9)%	(78.6)%	(28.1)%	21.2%
	Additional liquidity/liquidity requirement	415.2%	354.3%	345.1%	255.8%	330.6%
	Sum of large exposures/Total capital	-	-	-	-	-
	Loss and provisions ratio (loans and other receivables)	8.2%	0.3%	(17.2)%	0.3%	2.4%
	Return on assets	0.9%	(2.2)%	1.3%	0.7%	0.3%

See page 102 for definitions.

STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management have considered and approved the Annual Report for the financial year 2016 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 2016 and of the results of the Group's and the Parent Company's operations and the Group's cash flows for the financial year 1 January – 31 December 2016.

Moreover, in our opinion, the Review of 2016 and The Business of Saxo Bank include a fair review of developments in the Group's and the Parent Company's operations and financial position (page 5-35) and describe the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The 2016 Annual Report is submitted for the approval of the Annual General Meeting.

Copenhagen, 17 March 2017

BOARD OF MANAGEMENT

Kim Fournais
CEO and Co-founder

Søren Kyhl
Group Chief Operating Officer

Steen Blaafalk
Group Chief Financial and Risk Officer

BOARD OF DIRECTORS

Lone Fønns Schrøder
Chairman of the Board

Henrik Normann
Vice Chairman of the Board

Asiff S Hirji

Wikawi Oei

Jacob Polny

Thomas Plenborg

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SAXO BANK A/S

Conclusion

We have audited the consolidated financial statements and the parent company financial statements of Saxo Bank A/S for the financial year 1 January – 31 December 2016, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of total capital and notes, including a summary of significant accounting policies, for the group as well as for the parent company and cash flow statement for the 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.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2016 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January – 31 December 2016 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report, including issues related to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and the parent company financial statements.

Trading assets and liabilities - valuation of derivative financial instruments

· **Risk assessment:** Trading assets and liabilities include derivative financial instruments of DKK 5,988 million (assets) and DKK 3,037 million (liabilities) respectively as at 31 December 2016, which are measured at fair value, corresponding to 13% of total assets and 7% of total liabilites. The Group enters into derivative financial instruments with clients and financial counterparties based on a number of underlying assets (currencies, securities, etc.). Due to the nature of the Group's business, the volume of open derivative financial instruments is very large. The derivative financial instruments are generally short in maturity and based on relatively liquid underlying assets. In some circumstances, the underlying asset may unexpectedly become illiquid or the position may become uncollateralised, exposing the Group to a credit risk. For such positions, the calculation of fair value at the balance sheet date may involve estimates, which increase the valuation uncertainty. Given the volume of derivative financial instruments, we determined this to be a significant item for our audit.

· **Audit approach**: Our audit procedures comprised an assessment of the methodology and the appropriateness of the valuation models and assumptions used to value derivative financial instruments. Also, we placed reliance on internal controls over the trading processes, including reconciliations of trades and positions. We have specifically assessed the valuation of material illiquid positions. Finally, we considered the completeness and accuracy of the disclosures related to derivative financial instruments to assess compliance with disclosure requirements.

Intangible assets – valuation of goodwill and software development costs

· **Risk assessment**: Goodwill impairment testing relies on estimates of value-in-use based on estimated future cash flows. Due to the uncertainty of forecasting and discounting of future cash flows and the significance of the Group's recognised goodwill (DKK 960 million), this is deemed a significant risk. Uncertainty is typically highest for those units where headroom between value-in-use and carrying value is limited and where the value-in-use is most sensitive to changes in assumptions for the estimated future cash flows.

Other intangible assets than goodwill primarily consist of software development costs, which are amortised over a period of up to 5 years. In case of indications of impairment, an impairment test is carried out based on the estimated value-in-use.

· **Audit approach**: Our audit of valuation of goodwill was focused on the units that were most sensitive and dependent on future cash flow projections and, as a result of recent historical performance, were expected to have reduced headroom.

Our audit procedures in respect of goodwill included an assessment of the key assumptions supporting the Group's value-in-use calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance. With the assistance of our own specialists, we critically assessed the assumptions and methodologies used to forecast value-in-use for those units where significant goodwill was found to be sensitive to changes in those assumptions.

Additionally, we considered whether the Group's disclosures of the application of judgement and the sensitivity of the results of those estimates adequately reflect the risks associated with goodwill impairment, cf. note 17.

Our audit procedures in respect of capitalised software development costs included the assessment of controls over the Group's process for the recognition and measurement of software development cost, including Management's assumptions of estimated life-time. Our audit also included review of Management's assessment of impairment of capitalised software development costs.

Loans and other receivables at amortised cost – valuation

· **Risk assessment:** Loans to clients of the Group's subsidiary Saxo Privatbank A/S amount to DKK 1,672 million. The measurement of loan loss provisions is dependent on estimates with respect to identifying Objective Evidence of Impairment and estimated losses based on cash flow estimates made by Management. Management mainly determines the provisions based on a review of individual exposures. Given the credit events experienced in 2016, we identified the valuation of loans to clients as a key audit matter.

· **Audit approach**: We have performed substantive audit procedures on the most significant and uncertain credit exposures. We have verified whether the accounting for loan loss provisions is adequate, and we have assessed the loan data and challenged the assumptions applied. We have further focused on the adequacy of the Group's disclosure regarding loan loss provisions and the related risks.

Statement on the Management's review
Management is responsible for Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we concluded that Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatements of Management's review.

Management's responsibilities for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, for the parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control as 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.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

INDEPENDENT AUDITORS' REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 17 March 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant

Anders Duedahl-Olesen
State Authorised
Public Accountant

COMPANY INFORMATION

BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

Management positions 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 MANAGEMENT

Kim Fournais – CEO and Co-founder
Fournais Holding A/S (CEO & BM)
Vejrø ApS (CM)
Fournais Aviation ApS (CEO)

Steen Blaafalk – Group Chief Financial and Risk Officer
Gun Air ApS (CM)
Blue Falcon Holding ApS (CEO)
Falcon Future ApS (CEO)
Adept Water Technologies A/S (BM)

Søren Kyhl – Group Chief Operating Officer
Søren Kyhl Holding ApS (CEO)

BOARD OF DIRECTORS

Lone Fønss Schrøder – Chairman
Akastor ASA (BM)
Bilfinger SE (BM)
Valnet OY (BM)
Volvo Car Corporation AB (BM)
INGKA Holdning B.V. (Ikea Group) (BM)

Henrik Normann – Vice Chairman
Nordic Investment Bank (President & CEO)
Nordsøfonden (CM)
Syfoglomad Limited (CM)
Investeringsforeningen Maj Invest (BM)

Asiff S. Hirji – Member of the Board
HP Enterprise (Chief Restructuring Officer)
Inflekxion LLC (Founder)
Eze Software Group (BM)
TES Global (BM)
RentPath (BM)

Wikawi Oei – Member of the Board
Ningbo Commerce Bank (BM)
Nanjing ZiJin Capital Fund (Partner)
Sinar Mas Group (Directorship)

Jacob Polny – Member of the Board
TPG Europe LLP (Partner)
Strauss Coffee BV (BM)

Thomas Plenborg – Member of the Board
Independent member of the audit committee with qualifications within accounting
Everyday Luxury Feeling A/S (CM)
COWI Holding A/S (BM)
DSV A/S (BM)
JFE Holding ApS (CEO)
Plenborg Holding ApS (CEO)

ADDRESSES DENMARK

SAXO BANK A/S HEADQUARTERS
Philip Heymans Allé 15
2900 Hellerup
Denmark
www.home.saxo

SAXO PAYMENTS A/S
Philip Heymans Allé 15
2900 Hellerup
Denmark
www.saxopayments.com

SAXO PRIVATBANK A/S
Philip Heymans Allé 15
2900 Hellerup
Denmark
Branches in Aarhus, Brørup, Esbjerg, Fredericia, Kolding, Odense, Vejle.
www.privatbank.saxo

ADDRESSES EUROPE

CYPRUS
Saxo Bank A/S Cyprus
Agias Fylaxeos 1
3025 Limassol
cy.saxobank.com

CZECH REPUBLIC
Saxo Bank A/S Prague
Betlémský Palác
Husova 5
Praha 1, 110 00
cz.saxobank.com

FRANCE
Saxo Banque (France) SAS
10, rue de la Paix
75002 Paris
fr.saxobank.com

ITALY
Saxo Bank A/S Italia
Corso Venezia 29
20122 Milano
it.saxobank.com

ADDRESSES EUROPE CONTINUED

NETHERLANDS
Saxo Bank A/S Nederland
WTC Amsterdam
B-Tower 15th floor
Strawinskylaan 1527
1077 XW Amsterdam
nl.saxobank.com

SWITZERLAND
Saxo Bank (Schweiz) AG
Rietstrasse 41
Postfach 509
8702 Zollikon
ch.saxobank.com

Saxo Bank (Suisse) SA
Representative Office Geneva
5 bis, Place de la Fusterie
1204 Genève

TURKEY
Saxo Capital Markets Menkul Değerler A.Ş.
Dereboyu Caddesi Meydan Sokak No:1
Beybi Giz Plaza, Kat:30
Bölüm 115-116
34398 Maslak-Istanbul
tr.saxomarkets.com

UNITED KINGDOM
Saxo Capital Markets UK Ltd.
40 Bank Street, 26th Floor,
Canary Wharf
E14 5DA London
uk.saxomarkets.com

ADDRESSES WORLD

AUSTRALIA
Saxo Capital Markets (Australia) Pty Ltd
Level 25, 2 Park Street
NSW 2000 Sydney
au.saxomarkets.com

BRAZIL
Saxo Bank do Brasil Escritório de Rep. Ltda
Av. Brigadeiro Faria Lima, 2277
16° Andar, Unidade 1601
01452-000 São Paulo
institutional.br.saxobank.com

CHINA
Saxo Information (Shanghai) Co. Ltd
100 Century Avenue
15-T62 Shanghai World Finance Center
200120 Shanghai
cn.saxobank.com

HONG KONG
Saxo Capital Markets HK Limited
Units 1201-2, 12/F
Agricultural Bank of China Tower
No. 50 Connaught Road
Central Hong Kong
hk.saxomarkets.com

INDIA
M/S Saxo A/S India.
20th floor, Tower 10C
Cyber City, DLF Phase II
Gurgaon - 122 002, Haryana

JAPAN
Saxo Bank Securities Ltd.
Toranomon Kotohira Tower 22F
1-2-8 Toranomon, Minato-ku
Tokyo 105-0001
saxobank.co.jp

SINGAPORE
Saxo Capital Markets Pte. Ltd.
3 Church Street
Level 30, Samsung Hub
Singapore 049483
sg.saxomarkets.com

SOUTH AFRICA
Saxo Capital Markets SA Pty. Ltd.
The Place
1 Sandton Drive – Sandton
2146 Johannesburg
za.saxomarkets.com

UNITED ARAB EMIRATES
Saxo Bank A/S Representative Office Abu Dhabi
Etihad Towers, Tower no. 3
Office 1401 - 14th floor
Abu Dhabi
ae.saxobank.com

Saxo Bank (Dubai) Ltd.
Currency House, 1st Floor, DIFC
P.O. Box: 506830
Dubai
ae.saxobank.com