

2017



ANNUAL REPORT **2017**



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, Shanghai, Hong Kong, Sydney and Tokyo.

As a fully licensed and regulated bank under supervision of the Danish FSA, Saxo Bank offers private and institutional clients a complete set of tools for implementing their trading and investment strategies. Saxo Bank enables clients to trade FX, CFDs, ETFs, stocks, bonds,

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.



28
languages



FOUNDED
1992

43.3 million trades executed in 2017
Clients spanning over **170** countries
More than **85** industry awards for our trading platforms

More than
35,000
tradable instruments

1,594 employees
with **59** nationalities across
offices in **16** countries

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

futures, options and other derivatives via SaxoTraderGO, our award-winning trading platform that allows seamless transition between desktop and mobile devices.

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 Direct clients, but also to Wholesale clients. For example, the platforms are white-labelled by more than 100 financial institutions worldwide.

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Among the awards Saxo Bank was honoured with in 2017 were The Banker's 'Best Trading Platform Project Award' as well as the title as 'Prime of Prime House' at FX Week Best Banks Awards.



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REVIEW OF 2017

MANAGEMENT REPORT

Saxo Bank Group reported a positive net profit of DKK 401 million for 2017, an increase of 33% compared to the net profit of DKK 302 million in 2016.

The Board of Directors and Board of Management find the result for the year satisfactory given the difficult market conditions during 2017, with market volatility across the financial markets trading close to all-time lows as well as the continued low interest rate environment.

Particularly encouraging in 2017 was the number of new trading clients as well as the number of active trading clients, which for both the Direct and the Wholesale business segment ended at record high levels. The growing client base combined with the continued successful inflow of clients' collateral deposits, reaching DKK 104 billion by the end of 2017, means that Saxo Bank has strengthened its market position further and successfully laid the foundations for future growth.

Throughout 2017, the focus remained on driving profitable growth through improving both product offerings and our trading platforms. During the year, Saxo Bank 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 clients.

With a clear focus on retaining existing and attracting new clients and despite low market volatility, Operating income for the Group reached DKK 3.0 billion in 2017 - an increase of 3% compared to 2016.

Cost continued to be a main focus area in 2017 and has been managed carefully. Resources have been spent on reducing the operational complexity of the Bank, including the closure of operations in Limassol as well as the restructuring announced mid-January 2017. The cost/income ratio for the Bank's recurring core business decreased from 64% in 2016 to 62% in 2017.

FINANCIAL HIGHLIGHTS · SAXO BANK GROUP

(DKK million)	2017	2016	2015 ¹⁾	2014	2013
Operating income	3,027.0	2,929.7	2,126.7	3,006.8	2,861.0
EBITDA	931.6	845.2	(109.4)	1,099.0	898.0
Adjusted EBITDA	1,026.0	954.5	864.7	1,208.1	1,223.3
Profit before tax	554.2	418.2	(778.4)	564.8	247.4
Net profit	401.1	302.4	(644.6)	381.2	162.2
Total equity	4,621.4	4,238.4	3,938.4	4,225.2	3,492.7
Total assets	39,955.6	43,578.5	33,501.6	36,008.3	27,746.2
Clients' collateral deposits	103,622.3	92,349.9	77,568.0	68,227.2	50,644.0
Assets under management (Wealth management)	12,524.0	13,314.1	14,227.0	14,101.9	12,845.9
Total capital ratio	22.7%	19.5%	20.7%	19.7%	16.2%
Return on equity before tax	12.5%	10.2%	(19.1)%	14.6%	7.2%
Full-time-equivalent staff (end of year)	1,594	1,639	1,516	1,485	1,406
Hereof employed in India	499	462	346	324	280

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

See definitions on page 94 and 96.

Last but not least, the Capital position of Saxo Bank Group remained strong and the Total capital ratio for the Group increased to 22.7% as of the end of 2017 from 19.5% at the end of 2016, retaining a comfortable buffer compared to the capital requirement. The CET1 buffer was DKK 1.5 billion, corresponding to 10.1% of the risk exposure amounts.

STRATEGIC DIRECTIONS

“Saxo Bank is democratising investment and trading providing unparalleled global multi-asset financial market access anytime, anywhere!”

We do this by becoming the most professional and profitable facilitator in the global capital markets sector - disrupting traditional business models - adding significant value to our clients and partners. We are focusing on attracting and servicing the following client types:

Traders: Saxo Bank's primary strategic ambition is to be the preferred partner for traders. The broad universe of traders includes private and corporate clients as well as institutions who seek to trade actively at competitive prices to generate positive returns. Most often, traders generate returns by exploiting short term price movements and are comfortable using sophisticated trading tools and data to achieve their goals on a self-directed basis. Traders are generally more concentrated in a specific asset class than the other target segments, and the share wallet at Saxo Bank is generally more speculative/opportunistic in nature.

Investors: Saxo Bank's second strategic ambition is to be the preferred partner for investors. The broad universe of investors is generally characterised by a longer term investment horizon, less frequent trading, lower risk profile and a mixed use of self-directed investing and use of discretionary portfolio management services. These types

of clients would deploy a larger share of wallet to a single provider and express a greater need for diversification across asset classes. Clients look for ways to manage existing wealth and/or gradually build wealth over an extended period of time through the buying, holding and infrequently rebalancing of a portfolio of stocks, baskets of stocks, mutual funds, bonds and other investment instruments. Investment returns are a solution to achieving goals.

Wholesale: Saxo Bank's third strategic ambition is to be the preferred partner for Wholesale clients. Wholesale clients include traditional financial services providers who use Saxo Bank to facilitate trading and execution as well as services from digital marketing to post trading services. This segment also includes technology entrants who want to leverage Saxo Bank's infrastructure to onboard and manage client assets. In both cases Saxo Bank holds a B2B relationship with these partners, who on their part hold a B2C relationship with their clients, who again fall into the categories of traders and investors.

Saxo Bank competes on products, platforms, pricing and service – but not on leverage. Saxo Bank provides its clients with the opportunity to trade and invest seamlessly across a global investment universe of +35,000 instruments sourced via more than 100 liquidity providers and trading venues. Our clients can access everything from bonds and equities, to currencies and options from their single Saxo Bank account via our cutting edge and award winning platforms.

Saxo Bank has the ambition to provide its clients with the best possible pricing to be competitive on the local markets in cash products (“meet or beat”) and most important flow products against its main competitors. Finally, Saxo Bank strives to offer world class service to its clients while recognising that different client segments require different kind of service and level of expertise. Differentiating the service offering is also important in order to provide this in the most effective way.

Saxo Bank are guided by the following five key principles when executing its strategy plan:

1. Focus on key strategic priorities with clearly articulated target client segments and differentiated value propositions/go-to-market approaches.
2. Selective geographic focus with clear prioritisation of individual markets for each client segment in line with the strategic priorities.
3. Put emphasis on tailoring the offering and customer interface to different segments' actual needs – building on the current and future functionalities.
4. “Digital as default” for all clients – focusing on in-person interactions on high-value clients only.
5. Systematic and transparent monitoring/reporting and strict accountability for delivery across all levels of the organisation.

AWARDS

Saxo Bank was on an award winning streak in 2017 and continued to cement its position as the multi asset industry leader with the commitment to provide access to tools and features aimed at facilitating greater transparency, control and price improvement.

In 2017, Saxo Bank secured ten awards for its product, platform, technology and service. Saxo Bank was named Prime of Prime House of the year at FX Week Best Banks Awards, Best FX Broker at 2017 Finance Magnates Awards, Best Multi-Asset Trading Platform at 2017 Finance Magnates Awards, The Banker's Best Trading Platform Project Award for the fully digital fixed income trading solution, Best retail FX platform at FX Week e-FX Awards, Best Prime of Prime Provider at FX Week e-FX Awards, Best Platform for the Active Trader at ADVFN International Financial Awards, Best Prime Broker at HFMWeek European Hedge Fund Services Awards, Profit & Loss FoXYs Best FX Broker-Dealer award and Best prime broker at HFM Week Asia Hedge Fund Forum Services Awards.

FROM WALL STREET TO MAIN STREET

– CHANGING THE WAY WE TRADE FOR 25 YEARS

Saxo Bank celebrates 25th anniversary

In September 2017, Saxo Bank celebrated its journey from an early online trading pioneer to a leading facilitator of global capital market access.

In September 1992, the small brokerage that was to become Saxo Bank was founded in the heart of Copenhagen. The Bank's founders, Lars Seier Christensen and Kim Fournais, quickly grasped the opportunities created by using the internet and digital solutions to differentiate the business by offering clients better service, more products and lower prices. In 1998, Saxo Bank launched its first online trading platform and became a FinTech even before the term was created.

Today, Saxo Bank services clients in more than 170 countries by offering unparalleled access to global capital markets through its award-winning, multi-asset trading platforms. The ability to efficiently trade global markets in 28 languages, in any currency, from any choice of device represents a breakthrough in democratising investment and trading.

Furthermore, through its model of collaboration, Saxo Bank offers "Banking as a Service" to other banks and financial institutions and its trading infrastructure is the technology backbone for more than 120 financial institutions across the world.

"Growing Saxo Bank from a small brokerage to a bank and technology company with more than 1,500 employees is my life's work and I am extremely proud of what we have accomplished together. None of this would be possible without our fantastic Saxonians who work hard every day to create win-win solutions for our clients. Looking into the future, I am confident that Saxo Bank will continue its expansion. A combination of client demand, technological advancement and regulation has created the perfect environment for the execution of our growth plans over the coming years," commented Kim Fournais, Saxo Bank CEO and co-founder.



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 provides ordinary investors with the same tools and market access as professional traders and fund managers.

Today, Saxo Bank's aim remains 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 as its main social contribution. For Saxo Bank, this means that our work is 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.

A more detailed description of Saxo Bank's business model on page 27 illustrates that Saxo Bank is a facilitator of global financial markets proving traders and investors with a broad range of asset classes and tradable instruments. As a facilitator, Saxo Bank does not invest or trade on behalf of clients and does not risk violating ethics or international conventions.

Human rights and Employees engagement

Saxo Bank has a key focus on securing the best talent regardless of gender, religion, ethnicity or nationality. As of 31 December 2017, Saxo Bank employs 1,594 employees, including 747 in Denmark. Throughout the organisation, we encourage diversity and the Saxo Bank Group employs 60 different nationalities as we recognise that employee diversity brings important business benefits, among them, reducing the risk of resignations, accessing different

perspectives and ideas and benefiting from all available talent, which are all key to the Bank to service clients in more than 170 countries.

Saxo Bank complies with collective agreements and human rights across all of its offices. This situation has not changed in 2017 and no specific initiatives in the area have been implemented during the course of 2017.

Saxo Bank is aiming to increase the pool of potential managers, while mitigating the risk of a shortage of qualified managers in the future. 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 target for the Board of Directors, senior management and other management levels.

Saxo Bank has a target of 20% women represented on the Board of Directors. Saxo Bank's target for women in senior leadership positions means the target remains at 30% while the level in 2017 was 18.7%. The proportion of women does not meet the target and therefore remains a key area of focus. Through hiring, internal training, 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 financial year 2018.

Saxo Bank takes pride in securing the welfare of all employees and each year conducts the Saxo Engagement Survey that is used to change and create a better working environment to develop a higher performance and stronger organisation. Employees are a key resource when it comes to delivering on the strategy and dissatisfaction, discrimination and the physical as well as the psychosocial working environment are risk factors we need to mitigate. In 2017, Saxo Bank reached an exceptional response rate of 95% in the Saxo Engagement Survey underlining the trust and dedication from its employees.

Tax

Saxo Bank is established and has headquarters in Denmark, therefore a large part of the 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.

Anti-corruption and Anti Money Laundering

Being an online FinTech specialist focused on multi-asset trading and investment, Saxo Bank is at risk of being misused for illegal purposes like money laundering and corruption and the Bank therefore has strict procedures to ensure against illegal activities.

The fight against money laundering and terrorist financing is a high priority at Saxo Bank. To fulfil this objective, the Board of Directors has laid down the AML risk policies. Saxo Bank applies stringent measures to prevent money laundering and financing of terrorism. These measures are applied both when new clients apply for an account and regularly throughout a client relationship. In 2017, the

AML Manual and Business Procedure was updated and the Duty of Attention for all employees further enforced.

Saxo Bank maintains a Group Anti-Bribery and Corruption Policy which sets out rules and procedures to ensure that the Group complies with anti-bribery regulations and standards. The policy has been established to comply specifically with the UK Anti-Bribery Act which has been assessed to include the highest standards of anti-bribery and corruption regulations within the countries where Saxo Bank Group entities are established and hence complies with local regulations and furthermore with general global standards. In addition to this policy Saxo Bank maintains a policy on the receiving and giving of gifts/inducements.

Saxo Bank has in 2017 continued the development and all relevant employees completed an e-learning course on general anti-bribery and corruption regulations which must be retaken on an ongoing basis.

Climate and Environment

Saxo Bank is primarily a digital business and therefore its negative impact on the environment is very limited. The Bank does not have an independent policy or actions on this matter and is not an energy-intensive company. Its carbon emissions are mainly associated with its electricity use at the Bank's offices and Saxo Bank does not have a climate policy or global actions. However Saxo Bank does work to minimise carbon emission and in 2017 maintained its use of sea water for both heating and cooling at the Bank's headquarters.

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 Bank's subsidiaries are financial entities which are required to comply with local regulatory requirements. Changes in supervision and regulation could potentially affect the Group's business, the products and services offered or the value of the assets.

A list of the Bank's subsidiaries can be found in note 31 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 was required to exchange regulatory Variation Margin from March 2017 with financial counterparties. The Group does not expect to be subject to exchange of Initial Margin for 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) came into force 3 January 2018. MiFID II and MiFIR contain together more than 5,000 pages of regulation, including provisions on reporting, 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.

Denmark chose to implement MiFID II with a partial ban on inducements, prohibiting investment firms from receiving and retaining inducements if offers portfolio management or independent investment advice, with effect from 1 July 2017, i.e. six months before the remaining MiFID II came into force.

Resolution and Recovery of banks

All member states in the EU have to apply a single rule-book 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 2017, the Group paid in total DKK 5.2 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. As of the disclosure date of the Annual Report, Saxo Bank A/S and Saxo Privatbank A/S have not yet received their MREL from the Danish authorities.

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 clients 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 Guarantee Schemes in other jurisdictions.

Accounting standards (IFRS)

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

From 1 January 2018, IFRS 9 the new accounting standard for financial instruments is applicable. The main impact of the standard is the introduction of an impairment model that requires earlier recognition of 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 earlier recognition of lifetime expected credit losses. Application of the new impairment model increases the Groups provisions for impairment on financial assets. The estimated impact is disclosed in note 1 in the consolidated financial statements.

From 1 January 2019, the Group will implement IFRS 16, the new accounting standard for leases. The standard changes the accounting requirements for lessees. Almost all leases shall be accounted for in the balance sheet of the lessee as a right to use the asset and a corresponding liability. The lease payments will be recognised as amortisation and interest expense over the leasing period.

The analysis of the expected impact of the implementation of IFRS 16 has not yet been completed.

EU Tax regulations plans

The Base Erosion and Profit Shifting (BEPS) project, headed by the OECD, aims to set up an international framework to combat tax avoidance by multinational entities.

The BEPS project resulted in 15 action points with measures aiming to realign taxation with economic substance and value creation. The implementation of the measures continued in 2017 in the participating countries with several measures being immediately applicable. Transfer pricing has been a central area of the BEPS project. New standards for multinational enterprises transfer pricing documentation has been introduced in form of a three tier documentation approach. The Group closely monitors the development of the BEPS project.

The discussion about a European Financial Transaction Tax (FTT) has been ongoing for years at varying levels of intensity. In 2016, 10 member states reached agreement on some central aspects and tasked the EU Commission to draft a new FTT proposal. Many elements and details are yet to be agreed and 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 their local authorities on clients who are not resident for tax purposes in the jurisdiction of the financial institution or have a dual tax residency.

CRR and CRD IV

The Fourth edition of the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) has been applicable from the beginning of 2014. In November 2016, the EU Commission published a proposal containing a package of legislative revisions of key parts of the regulation frameworks here amongst parts of CRR/CRD IV. The revision includes various implementations from Basel.

Depending on the final calibration of the regulation and implementation in the EU, this may impact the Group's future level of risk exposure amounts.

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 has come 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 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 dividends until the buffer requirements are sufficiently met.

In Denmark, the “capital conservation buffer” started to be phased in from 2016 at 0.625% of risk exposure amounts to 2.5% of risk exposure amount in 2019. In 2018, the buffer requirement will be 1.875%.

The “countercyclical capital buffer” has been applied since 2015 and is dependent on the potential national introduction of the countercyclical buffers. This may affect the Group’s capital buffer, if the requirement is activated in jurisdictions where the Group has exposures. However, only a few countries have currently set a countercyclical buffer. In December 2017, the Danish Systemic Risk Council recommended an introduction of a countercyclical capital buffer requirement in Denmark. A buffer requirement of 0.5% risk exposure amounts is therefore expected to be introduced from 31 March 2019.

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 2017 and the quarterly ICAAP Q4 2017 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). A minimum requirement to the Leverage Ratio is expected to be introduced; exact timing and potential transition rules will be decided by the EU. Due to the comfortable capital situation of the Group, fulfilment of a potential minimum requirement is not expected to be an issue.

Specifications on the Bank’s and the Group’s leverage ratios are disclosed in the unaudited Risk Report 2017 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 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.

NSFR is planned to be phased to a binding requirement; 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 2017 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 2017 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 2017 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 of ensuring that the data of victims, witnesses and suspects of crimes are duly protected in the context of a criminal investigation or law enforcement action.

Supervisory Diamond

The Danish FSA applies a number of specific risk indicators and threshold values to banks in Denmark, in a Supervisory Diamond. A new liquidity measure based on the Liquidity Coverage Ratio will be introduced in the first half of 2018. Because of the sound liquidity state of the Group, the Group expects to fulfil the measure comfortably. 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.



TRADING SEARCH ACCOUNT

NZDCAD
New Zealand Dollar/Canadian Dollar

Interval: 1 Day
Pattern Type: Chart
Pattern Name: Falling Wedge
Identified: 13-Jan-2017 05:00

Chart: Falling Wedge
Pennant

Realtime prices: Bid 0.8312, Ask 0.8320, Spread 8 pips, Market open

Duration: Day Order
Price: Market

SELL **BUY**

Add Take profit / Stop loss

Margin impact: 1,448.26 / 1,447.78 USD (Sell / Buy)

Identified	Type	Age
13-Jan-2017 05:00	Completed	2
13-Jan-2017 05:00	Completed	2
	Completed	2
	Completed	3
	Completed	5
	Completed	5
	Completed	5
	Completed	8
	Completed	9
	Completed	10
	Completed	10

Direction: Up
Pattern Name: Falling Wedge
Type: Chart
Probability: 68%
Quality: Identified
Age (Candles): 13-Jan-2017 05:00
Take Profit: 0.8520
Stop Loss: 0.8280



TRADE SIGNALS AND MY ACCOUNT

– *ADDING FUNCTIONALITY TO OUR
PLATFORM OFFERING*

Saxo Bank adds Trade Signals and vastly improved Account section to SaxoTraderGO

In January 2017, Saxo Bank announced a new collaboration with Autochartist to integrate Trade Signals as a new platform feature in SaxoTraderGO.

The new partnership made for an unprecedented integration of Autochartist's tools in SaxoTraderGO, enabling Saxo Bank's clients to trade based on automated technical analysis and live trade signals across asset classes. This has enhanced the analysis tools currently available to clients on SaxoTraderGO as it means that they no longer need to open other browsers or run third-party technical analysis applications in parallel.

In October 2017, the platform team launched a fully redesigned account section in SaxoTraderGO. The new account section includes a performance overview which offers a detailed analysis of P/L, the percentage of returns and the cash balance of selected accounts for a particular period. It further provides traders with a new analysis tool which allows them to analyse their P/L by trading product, specific segment or sector. The new account section also offers a portfolio summary which gives an overview of current net holdings and historic holdings at the end of each day.

Since launching SaxoTraderGO in May 2015, Saxo Bank has continuously added new instruments and enhanced functionality on its multi-asset, multi-device platform. Clients can now trade over 35,000 instruments across different asset classes, and access tools and features aimed at providing greater transparency, control and price improvements.

FINANCIAL REVIEW

Saxo Bank Group reported a net profit of DKK 401 million for 2017, an increase of 33% compared to 2016. The inflow of clients' collateral from new and existing clients continued successfully in 2017, as clients' collateral deposits increased by DKK 12 billion from the end of 2016 to a record high of DKK 104 billion by the end of 2017.

Market volatility across the financial markets has been low in 2017 with the VIX index and FX volatility trading close to all-time lows. The political turmoil related to Brexit negotiations, the unclear outlook for US economic legislation following the presidential election and the French election as well as the geopolitical tensions with North Korea did not significantly impact the market volatility.

Despite general low volatility, operating income in 2017 for the Group reached DKK 3.03 billion compared to DKK 2.93 billion in 2016, corresponding to an increase of 3.3%.

Staff costs and administrative expenses were DKK 2.2 billion for the Group in 2017, an increase of 3.2% compared to 2016 primarily due to cost recognised in connection with the restructuring announced mid-January 2017 and increased marketing spend.

EBITDA amounted to DKK 932 million in 2017 compared to DKK 845 million in 2016. Adjusted for special items, predominantly restructuring costs, adjusted EBITDA increased with 7.5% to DKK 1,026 million in 2017.

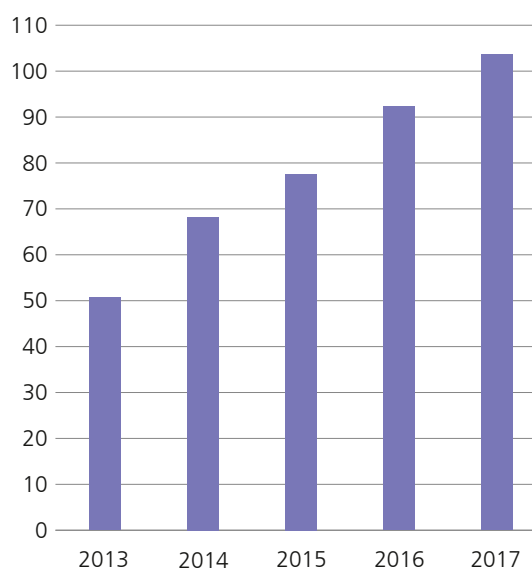
Depreciation and impairment charges of DKK 306 million in 2017 saw a decrease of DKK 45 million compared to 2016, primarily due to a number of assets being fully depreciated during 2016 and the beginning of 2017.

Impairment charges on loans and receivables etc. in 2017 were DKK 105 million lower than in 2016, primarily due to less impairment related to lending in the subsidiary Saxo Privatbank A/S.

STATEMENT OF FINANCIAL POSITION

The continued increase in clients' collateral deposits shows the strength of the business model. The cash inflow from

Clients' collateral deposits 2013-2017
DKK billion



clients' cash deposits are 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 liabilities are comprised of financial instruments with a negative fair value/unsettled spot transactions towards client trading.

Total assets decreased from DKK 43.6 billion as of 31 December 2016 to DKK 40.0 billion as of 31 December 2017 as Debt to credit institutions and central banks is DKK 3.2 billion below last year due to bonds acquired with trade day in 2016 but with settlement date in 2017.

Total shareholders' equity increased by 10.0% in 2017 to DKK 4.24 billion as of 31 December 2017 compared to DKK 3.85 billion at the end of 2016.

The Total capital ratio for the Group increased to 22.7% as of end 2017 from 19.5% at the end of 2016, retaining a comfortable buffer compared to the capital requirement.

CAPITAL, ICAAP & ILAAP

Being based in an EU member state, 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 2017, the Group continued to have a strong capital position with a comfortable buffer to the regulatory requirements.

Common equity tier 1 capital (CET1), Tier 1 capital and Total capital amounted to DKK 2.71 billion, DKK 3.04 billion and DKK 3.40 billion. This corresponds to a Common equity tier 1 ratio, a Tier 1 capital ratio and a Total capital ratio for the Group of 18.1%, 20.4% and 22.7% respectively after inclusion of the total comprehensive income for the year. By the end of 2016, the corresponding ratios were 14.9%, 17.1% and 19.5% respectively.

In September 2017, the Group redeemed subordinated debt of EUR 25 million issued before 2014 and not eligible for fulfilling current regulatory capital requirements.

As of 31 December 2017, the Group's ICAAP resulted in a capital requirement of 12.6% of risk exposure amounts, equivalent to DKK 1.9 billion. The CET1 buffer was DKK 1.5 billion, corresponding to 10.1% of the risk exposure amounts.

The total risk exposure of the Group was DKK 14.9 billion as of 31 December 2017 compared to DKK 15.5 billion as of 31 December 2016.

The unaudited Risk Report 2017 and the ICAAP Q4 2017 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 Den-

mark the minimum requirement for the LCR has been phased in gradually, reaching the full requirement level of 100% in 2018. As of 31 December 2017, the Bank and the Group had a sound liquidity buffer to the minimum regulatory requirements with a LCR of 182.1% and 204.9% respectively towards a minimum regulatory requirement of 80%.

Saxo 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 2017, it is concluded that Saxo 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 2017 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.

EVENTS AFTER THE REPORTING DATE

On 5 February 2018, Saxo Bank A/S has signed a sales purchase agreement regarding the retail bank and wealth management activities in Saxo Privatbank A/S. The transaction is expected to be finalised in first half of 2018, pending approvals from the competition authorities and the Danish FSA.

The transaction has no material impact on either the financial result nor the equity for the Group in 2018. The transaction is expected to decrease the risk exposure amounts with DKK 2,275 million leading to an expected increase in the Total capital ratio with approximately 4%.

OUTLOOK 2018

The global economy will face some challenges in 2018 as the central bank will move forward with normalising monetary policy. This happens at a time where almost all assets are priced to perfection.

Saxo Bank expects that the low volatility seen over the recent years to be replaced by more activity. The expected higher volatility should translate to improved opportunities for investors and traders on the Saxo Bank platforms.

The calendar for 2018 includes a midterm election in the US which is going to be hard-fought and a continuation of the Brexit talks in Europe as well as the unpredictable geopolitical events like North Korea and Syria.

Overall, Saxo Bank continues to find the market situation hard to predict as central policy normalisation meets the economic reality of low productivity and too much debt in the world.

Saxo Bank will continue with its strategic direction of democratising trading and investment, and providing unparalleled access to global financial markets anytime, any-

where. Focus will remain on leveraging the multi-asset capabilities to expand the product and service offerings and at the same time be significantly more efficient in client acquisition and client servicing.

Cost control, capital and liquidity management as well as risk management will furthermore continue to be important themes for Saxo Bank in 2018.

Saxo Bank is still confident that the Group has a solid foundation for its operations in 2018.

Due to the nature of the Group's activities, the forecast of trading related income and net profit is subject to uncertainty. With that in mind and based on the result for 2017, we are confident that we will continue to improve the net profit in 2018.

CHANGES TO BOARD OF DIRECTORS

As of 20 February 2018 Lone Fønss Schrøder has retired from the Board of Directors, Henrik Normann has assumed the position of chairman as from 20 February 2018. The Board consists of Henrik Normann, Chairman, Asiff S. Hirji, Wikawi Oei, Jacob Polny and Thomas Plenborg

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.

OPERATIONAL REVIEW

PRODUCT DEVELOPMENT AND PRICING CHANGES

In 2017, Saxo Bank continued to strengthen products and pricing. A milestone was the collaboration with Autochartist to make automated technical analysis tools and live trade signals available to clients directly on the SaxoTraderGO platform. With the integration of Auto-chartist Saxo Bank further enhanced the analysis tools available to clients. The deep integration works seamlessly across devices and makes technical analysis and live trade signals actionable right at the clients' fingertips. Auto-chartist covers more than 50 currency pairs, 200 stocks, the biggest indices, as well as the major commodities and is free to all Saxo Bank clients.

Based on the improved scalability of the operational setup, Saxo Bank has decided to lower the minimum funding requirement globally. The new minimum funding requirement will be USD 2,000 (or equivalent), adjusting from the previous USD 10,000 (or equivalent).

In December 2017, Saxo Bank introduced new standard FX Volume-based Discount Pricing. In addition to discounted trading costs with no minimum monthly commission, clients will now benefit from trading spreads as low as 0.1 pip with the added advantage that pricing in large notional trade sizes now becomes much more competitive. The simplified pricing plan has been launched in January 2018 and is a part of the Bank's ongoing commitment to provide clients with increased transparency and quality execution.

Saxo Bank takes a dynamic approach to minimum funding and pricing using its scalability, operational efficiency and data to improve, adapt and be at the forefront.

TRANSPARENCY AS THE BETTER PARTNER

In June 2017, Saxo Bank signed up to the FX Global Code of Conduct, published an Enhanced Disclosure and announced the decision to withdraw from the UK CFD and FX Association, a margin trading industry group. Trading CFDs and FX instruments brings a number of advantages to retail investors, advantages that have previously been the preserve of larger financial institutions. However,

trading these instruments also carry risks that warrant high industry standards and firm and fair regulation.

Openness and transparency, coupled with a full alignment of interests between providers and clients, offer a real opportunity for differentiation between participants that facilitate market access. In order to demonstrate its commitment towards promoting integrity and trust within the financial industry, Saxo Bank has taken a wide range of initiatives to increase transparency and to engender greater confidence in clients so that they can make the best choice when choosing a facilitator.

Saxo Bank was among the first banks to sign up to the FX Global Code of Conduct, which is aimed at improving industry standards and promoting best practice among FX market participants. The Code is a result of an industry-wide initiative developed over two years through a partnership between central banks and FX market participants from 16 jurisdictions around the world. The initiative aims to promote the integrity, trust and effective functioning of the global wholesale FX market.

At the same time, to emphasise support for openness and transparency Saxo Bank took the initiative to publish an Enhanced Disclosure that provides insight to among other things Broker Incentive, Broker Stability and Client Leverage.

The decision to leave the UK CFD and FX Association followed thorough considerations about consumer protection. Saxo Bank takes the lead in promoting higher standards in the margin trading industry, has a prudent approach to leverage and welcomes ESMA's latest update on its preparatory work in relation to the provision of CFDs to retail clients issued on December 15, 2017. ESMA's latest proposals signal a need for better alignment between leverage levels and market conditions.

Saxo Bank takes a dynamic approach to leverage, adapting margins to volatility, market capitalisation when trading stocks and available liquidity in the market. Saxo Bank believes that offering very high leverage which is out of sync with underlying market conditions at any given time is irresponsible.

TRADING PLATFORMS

A major landmark on the platform in 2017 was the launch of the new “My Account” section on SaxoTraderGO as an analytical and educational tool to clients. The new account section provides Saxo Bank’s clients with a number of graphical overviews to illustrate how their account value, profit/loss, returns and bookings have changed over a selected period of time. It also provides graphical representation of a client’s current and historic portfolio allocations as well as exposures to different asset classes and currencies. Clients can further choose to view an in-depth analysis of their P/L, bookings and cost by trading instrument, specific segment or sector. With the new account section clients can easily view their returns on their investments, where they made or lost money and how much they paid in trading costs.

Since launching SaxoTraderGO in May 2015, Saxo Bank has continuously added new instruments and functionality to its multi-asset and multi-device platform. Clients can now trade over 35,000 instruments across different asset classes and have access to tools and features aimed at facilitating greater transparency, control and price improvement on every trade. Recent additions include the implementation of Order Driven Execution for FX Spot, FX Forwards and CFDs, which provides a safer and more efficient way to fill client orders, and the signing of a partnership with Autochartist to make automated technical analysis tools and live trade signals available across asset classes. SaxoTraderGO has pioneered the trading industry’s definitive move towards seamless trading on multiple devices and away from legacy proprietary systems of the past.

In 2017, Saxo Bank has completed the development of a new platform for professional traders. It will offer advanced clients multi-screen support, advanced order management functions and new risk overviews. The platform will launch in 2018.

SAXOSELECT

2017 has been a significant year for SaxoSelect, Saxo Bank’s digital wealth management solution launched just

less than two years ago with the aim of expanding access to investment opportunities by leveraging the Bank’s unique know-how and superior technology acquired over 25 years in online trading and investment .

Having launched in a select number of EU countries in January 2016, 2017 saw Saxo Bank build on the solid foundations of core portfolios and partners and made the service available in new markets including Switzerland, Singapore and the UK. As a result, SaxoSelect today has clients in 74 countries that access a range of portfolios across different asset classes and risk profiles. These comprise, in addition to ETF portfolios typically offered by ‘robo-advisors’, single stocks, stock CFDs, bond CFDs, commodity CFDs and FX spot.

Through forging partnerships with some of the most respected names in investment management, including BlackRock and Morningstar, but also by continuing to innovate the offering and client experience, SaxoSelect has experienced good traction. Throughout 2017, Saxo Bank also developed around 30 Open API end points to enable the provision of the SaxoSelect service to other banks and brokers.

DIRECT BUSINESS

In the latter part of 2017, Saxo Bank gained momentum in the number of new Direct clients. The 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 continues steadily.

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.

WHOLESALE BUSINESS

Saxo Bank experienced an upward trend in the Wholesale business in 2017. Saxo Bank's Wholesale business covers the White Label business whereby Saxo Bank offers its trading platform and trading technology to other financial institutions on a white label basis. Today, Saxo Bank services more than 120 such White Label partners. Saxo Bank's institutional offering spans trading, prime brokerage, liquidity optimisation and post-trade services. In 2017, there has been a strong traction for FX Prime Brokerage and API Solution and Saxo Bank's Open API technology has played a key role in forming new partnerships with other institutions.

In September 2017, Saxo Bank and Banca Generali announced a landmark partnership with the objective to offer clients of Banca Generali access to an innovative platform based on Saxo Bank's trading technology. Banca Generali is a leading player in Italy in financial planning and wealth management for clients, leveraging on its top-of-the-industry network of financial advisors and versatile and innovative asset management services. The bank manages EUR 2.1 billion (at 30 June 2017) for more than 250,000 clients through a network of about 1,900 professionals across Italy.

Saxo Bank firmly believes that partnerships and collaboration are the new disruptive factor in the financial industry.

Industry changes are pressuring traditional banks to evaluate their historical ownership of the full value chain and technology stack, as they struggle to keep up with the pace and cost of technological changes.

Saxo Bank is seeing increased traction as a FinTech provider and, in parallel, as an institution with a comprehensive understanding of banking infrastructure and regulatory matters for traditional banks looking to outsource their technology needs. This is a key differentiator for Saxo Bank. Partnering banks benefit from Saxo Bank's ongoing

investments in platform innovation and product expansion. This enables Saxo Bank's White Label partners to increase trading volumes at a lower cost and faster time-to-market, while protecting their businesses in an industry landscape where keeping up with technological innovation is a key competitive differentiator. Saxo Bank's White Label partners benefit from over two decades of innovation and proven technology which is fully tested and constantly refined for its own retail client base.

SAXO PRIVATBANK

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 combined offering allows clients to use advanced order types and technical analysis, and provides access to more than 30 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 23.3 billion as of 31 December 2017. Of this amount, DKK 12.5 billion were investments managed by Saxo Wealth Management on behalf of clients, while DKK 7.6 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.



WHEN OUR CLIENTS SUCCEED, WE SUCCEED

– DELIVERING WIN-WIN FOR CLIENTS AND BROKERS

Saxo Bank's commitment to higher industry standards and fair outcome

On 14 June 2017, Saxo Bank was one of the first financial institutions to sign the 'FX Global Code of Conduct' aimed at improving industry standards and promoting best practice among FX market participants. At the same time, Saxo Bank also published an 'Enhanced Disclosure' statement to emphasise its goal of ensuring fair outcomes for clients, supporting openness and transparency in the industry, and giving an insight into Saxo Bank's unique business model.

The 'FX Global Code of Conduct', a result of an industry-wide initiative, has been developed around six core principles crucial to the FX ecosystem, and will ensure that trading of FX instruments is supported by appropriate elements of integrity and transparency.

Saxo Bank's Enhanced Disclosure statement gives insight to Broker Incentive, Broker Stability, Client Leverage as well as Performance as a proof of the full alignment of interest between Saxo Bank and its clients.

The above steps, in combination with Saxo Bank's past efforts to improve execution quality, platform robustness, and product offering, have placed Saxo Bank well ahead of regulations and reinforced its positioning as a responsible and trustworthy partner in the financial industry.

"We welcome efforts from regulators to try to stop irresponsible practices in the industry. We have been ahead of the curve on this issue and look forward to having competition centered around execution quality, platform robustness, product offering and services rather than who can offer the most excessive leverage. For Saxo Bank, this is not simply about responding to regulation, it is about fostering a culture of client care, being transparent with clients and trying to help clients manage risk and optimise their potential."

THE BUSINESS OF SAXO BANK

WHY SAXO BANK? VISION AND BUSINESS MODEL

Saxo Bank is a leading multi-asset trading and investment specialist and a fully licensed bank under the supervision of the Danish FSA, headquartered in Copenhagen and operating in financial centres around the world including London, Paris, Zurich, Dubai, Singapore, Shanghai, Hong Kong and Tokyo.

Saxo Bank facilitates trading and investing for private and institutional clients, providing access to global markets and a broad range of asset classes and tradable instruments. All unified on the robust and intuitive trading platforms, incorporating everything from personalised watch lists to tailored charts, news filters and risk management tools.

Saxo Bank's heritage as a disruptive technology provider in the capital markets spans more than 20 years, with IT and innovative technology being a true part of the DNA. Historically, efficient access to financial markets was only available to financial institutions. Private clients were severely restricted in their access to market information and trading execution venues. With the internet came the ability to open the world's capital markets to private clients

to get real-time market information and execute live transactions. Saxo Bank continues to be a pioneer in providing innovative solutions to people who want to invest and trade a multiple of assets and instruments across the world's financial markets.

Saxo Bank is democratising investment and trading providing unparalleled global multi-asset financial market access anytime, anywhere.

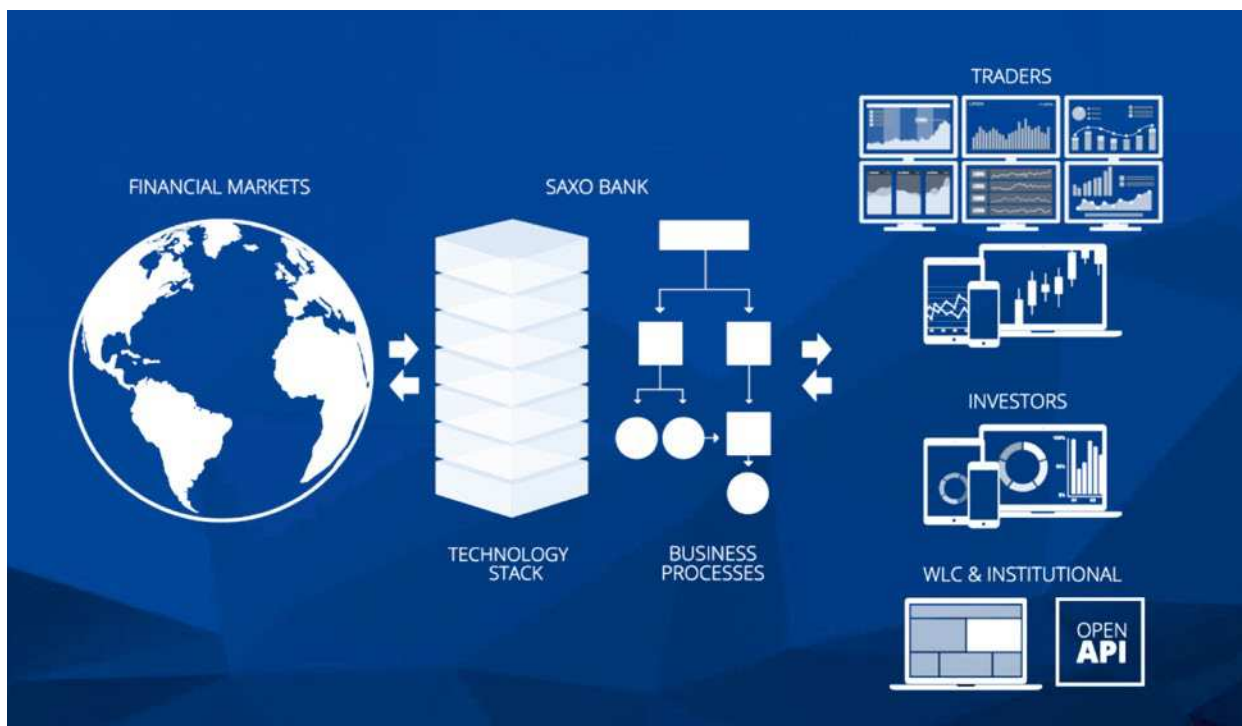
Saxo Bank will do this by becoming the most professional and profitable facilitator in the global capital markets - disrupting traditional business models - adding significant value to the clients.

Saxo Bank is a facilitator between its clients and the global financial markets and has a truly scalable platform for traders, investors and wholesale clients.

Liquidity provisioning

To facilitate online margin trading in non-listed products on its trading platforms, Saxo Bank obtains liquidity from





more than 100 liquidity venues including 15 large global 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.

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 point of Saxo Bank's core business.

Since launch in May 2015, Saxo Bank has continuously added new instruments and functionality to its multi-asset and multi-device platform SaxoTraderGO. Clients can now trade more than 35,000 instruments across different asset classes and Saxo Bank offers bonds, stocks, ETFs, CFDs, futures, options and FX from one account on the platform. Clients on SaxoTraderGO will also get free access to a large universe of fundamental research and technical trade signals integrated directly in the platform for easy access. In 2018, Saxo Bank will unveil the next generation platform for sophisticated and professional traders.

Saxo Bank is one of the first financial institutions to give access to its trading infrastructure through the Bank's REST-based Open API. This advanced API-based trading solution, branded as Saxo Direct, allows partners, clients and external developers to access over 25 years of trading infrastructure innovation and enables them to customise their trading experience and create new revenue streams. 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.

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 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 Group'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 Counterpar-

ty 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. This approach, where each risk category is assessed subjectively in accordance with certain principles and with the Danish FSA capital adequacy requirement guideline, 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 Risk Report 2017, which is available at www.home.saxo/about-us/investor-relations.

Credit risk

As a baseline, the Group follows the Danish FSA 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 evaluated 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 as a baseline assessed according to the DFSA capital adequacy requirement guideline in the assessment of additional Pillar II requirements within the operational risk area. As a supplement to this expert judgements are being used to evaluate if there are risks not covered by Pillar I.

Liquidity risk

The liquidity risk is determined as the increased costs 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 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 Group 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 Risk Report 2017 available at www.home.saxo/about-us/investor-relations.

FINTECH PARTNERSHIPS

– *CREATING WIN-WIN IN THE FINANCIAL INDUSTRY*

Partnerships are the next disruptive force

With the pace of technological and product innovation being faster than ever, the biggest challenge for the financial services industry is how to efficiently work with the new technologies to deliver better solutions for clients while at the same time run a more efficient business.

Global banks are struggling with legacy technology resulting in the majority of IT budget being apportioned to maintenance rather than innovation. Fuelled by regulation and client expectations the opening up of the financial infrastructure will continue to gather momentum.

Saxo Bank strongly believes in partnerships with other FinTech companies as well as with incumbent financial service providers who already have valuable client relationships of significant size.

Based on the open IT infrastructure, Saxo Bank has the capability to form partnerships with other financial service providers who can distribute the offering to an even broader population of end-users in the financial ecosystem. This is a win-win opportunity for Saxo Bank, liquidity providers, partners and most important the clients as end-users.

The commitment to creating these opportunities and our belief in focus on a collaborative model resulted in several new partnerships in 2017, including an exclusive and transformational partnership with Banca Generali. Banca Generali is a leading player in Italy in financial planning and wealth management for clients, leveraging its industry leading network of financial advisors, as well as its versatile and innovative asset management services. The bank manages assets for more than 250,000 clients through a network of nearly 1,900 professionals across Italy.



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, changes in technology or other rare and unpredictable exogenous events. The Group strives to be observant and responsive to changes in the external environment.

Risk factors, which may adversely affect the Group's future growth, activities, financial position and results, are described below. However, this may not be an exhaustive description.

Further information on the risk management framework can be found in the unaudited Risk Report 2017 at www.home.saxo/about-us/investor-relations.

CREDIT RISK

The Group is subject to credit risks from the trading and the retail banking operation.

Client's margin 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 fully offset sustained trading deficits, which may turn into losses if the Group is unable to collect the amounts due. To limit these risks the Group has several mitigants in place, e.g. a real-time monitoring system which can intervene and liquidate client exposures instantaneously in case of an adverse market movement.

Counterparty credit exposures also exist towards the Group's prime brokers/market liquidity providers being in general major international banks. The majority of the Group's counterparty default risk exposure is mitigated by pledging collateral via third party custody accounts or by bilateral collateral agreements. However, all credit exposures cannot be totally eliminated on an intraday basis. In acknowledgement of this fact, the Group only operates with regulated counterparties having a high credit rating and within a set of predefined limits.

Finally, the Group encounters credit risk through traditional banking operations. The day-to-day business of granting credit to clients 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 is market liquidity provider with no proprietary position taking in the markets operation. The vast majority of the trading flow from clients taking place on the Saxo Bank trading platform is executed and hedged automatically in order to minimise the intermediate market risk. However limited market risk arise from the trading when the trading flows related to some products are optimised e.g. by bundling of client trades toward the broker counterparties.

The Group encounters market risk from the investment of client funds deposited in Saxo Bank as margin to support the clients' trading activities. The deposited funds are invested conservatively in short-term government or prime rated covered bonds. 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 entails market risk.

Market risk exposures are monitored closely on an intraday basis.

OPERATIONAL RISK

Business and IT infrastructure disruption

The 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. Consequently, a system outage may have a financial and reputational impact on the Group.

In order to control and minimise this risk 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.

Compliance risk

As the Group is operating under regulated licences an exposure to compliance risk is present. In order to minimise this risk Saxo Bank Group promotes a strong compliance culture, where compliance risk is identified and continuously monitored.

Cyber security risk

Cyber attacks on financial institutions are increasingly 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.

The Group is taking several steps to protect its infrastructure both with policies and procedures as well as mitigation using technical controls for these emerging threats. The Group furthermore monitors the evolution of cyber attacks, ensuring that effective and adaptive defences are in place at all times.

Third party service providers

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

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

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 an adverse impact on the Group. The Group continuously seeks to differentiate its offerings from its competitors through investment in its products, services and technology.

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 12.

Client activity

Saxo Bank Group believes that the potential growth in demand for its products is impacted by 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 an adverse effect on the Group's results and financial position.

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 obligations 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.

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INCOME STATEMENT – SAXO BANK GROUP
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2017	2016
3	Interest income	1,668,921	1,311,147
4	Interest expense	(225,954)	(182,247)
	Net interest income	1,442,967	1,128,900
5	Fee and commission income	1,385,600	1,282,623
6	Fee and commission expense	(888,542)	(881,804)
	Net interest, fees and commissions	1,940,025	1,529,719
7	Price and exchange rate adjustments	1,086,952	1,399,969
	Operating income	3,026,977	2,929,688
	Other income	7,318	28,247
8	Staff costs and administrative expenses	(2,150,505)	(2,083,830)
	Depreciation, amortisation and impairment of intangible and tangible assets	(305,767)	(350,730)
	Other expenses	(31,685)	(8,356)
10	Impairment charges loans and receivables etc.	7,826	(96,816)
	Profit before tax	554,164	418,203
11	Tax	(153,041)	(115,755)
	Net profit	401,123	302,448
	Net profit attributable to:		
	Shareholders of Saxo Bank A/S	394,827	295,411
	Additional tier 1 capital holders	32,643	32,643
	Non-controlling interests	(26,347)	(25,606)
	Net profit	401,123	302,448

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

Note	(DKK 1,000)	2017	2016
	Net profit	401,123	302,448
	Other comprehensive income		
	Items that will not be reclassified subsequently to income statement:		
	Remeasurement of defined benefit plans	12,025	(25,231)
11	Tax	(1,578)	4,881
	Items that will not be reclassified subsequently to income statement	10,447	(20,350)
	Items that are or may be reclassified subsequently to income statement:		
	Exchange rate adjustments	(145,248)	(13,573)
26	Hedge of net investments in foreign entities	104,417	22,146
26	Fair value adjustment of cash flow hedges:		
	Effective portion of changes in fair value	(1,675)	(14,175)
	Net amount transferred to profit or loss	13,615	14,134
11	Tax	(24,251)	(4,974)
	Items that are or may be reclassified subsequently to income statement	(53,142)	3,558
	Total other comprehensive income	(42,695)	(16,792)
	Total comprehensive income	358,428	285,656
	Total comprehensive income attributable to:		
	Shareholders of Saxo Bank A/S	352,132	278,619
	Additional tier 1 capital holders	32,643	32,643
	Non-controlling interests	(26,347)	(25,606)
	Total comprehensive income	358,428	285,656

STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP
AT 31 DECEMBER

Note	(DKK 1,000)	2017	2016
ASSETS			
	Cash in hand and demand deposits with central banks	2,720,359	5,577,707
	Receivables from credit institutions and central banks	4,113,164	2,442,512
12	Trading assets	28,713,715	31,104,475
13	Loans and other receivables at amortised cost	1,686,002	1,691,487
	Current tax assets	4,974	8,687
14	Intangible assets	1,617,712	1,618,677
	Tangible assets	784,799	784,307
11	Deferred tax assets	28,551	41,944
20	Other assets	286,275	308,721
Total assets		39,955,551	43,578,517
LIABILITIES			
	Debt to credit institutions and central banks	3,764,567	6,992,612
12	Trading liabilities	2,519,801	3,036,757
17	Deposits	27,811,163	27,930,393
	Current tax liabilities	55,861	75,766
20	Other liabilities	670,733	644,123
11	Deferred tax liabilities	54,154	10,761
18	Provisions	106,727	120,628
19	Subordinated debt	351,131	529,077
Total liabilities		35,334,137	39,340,117
EQUITY			
21	Share capital	68,284	68,284
	Translation reserve	174,721	237,061
	Hedging reserve	(43,269)	(52,467)
	Revaluation reserve	51,936	53,944
	Retained earnings	3,985,584	3,543,842
Shareholders of Saxo Bank A/S		4,237,256	3,850,664
	Additional tier 1 capital	346,048	346,026
	Non-controlling interests	38,110	41,710
Total equity		4,621,414	4,238,400
Total liabilities and equity		39,955,551	43,578,517

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

(DKK 1,000)	Shareholders of Saxo Bank A/S					Total	Additional tier 1 capital	Non- controlling interests	Total
	Share capital	Trans- lation reserve	Hedging reserve	Reva- luation reserve	Retained earnings				
Equity 1 January 2016	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 interests	-	-	-	-	(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
Net profit	-	-	-	-	394,827	394,827	32,643	(26,347)	401,123
Other comprehensive income									
Exchange rate adjustments	-	(145,248)	-	-	-	(145,248)	-	-	(145,248)
Hedge of net investments in foreign entities	-	104,417	-	-	-	104,417	-	-	104,417
Fair value adjustment of cash flow hedges	-	-	11,940	-	-	11,940	-	-	11,940
Revaluation of domicile properties	-	-	-	(2,575)	2,575	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	12,025	12,025	-	-	12,025
Tax	-	(21,509)	(2,742)	567	(2,145)	(25,829)	-	-	(25,829)
Total other comprehensive income	-	(62,340)	9,198	(2,008)	12,455	(42,695)	-	-	(42,695)
Total comprehensive income	-	(62,340)	9,198	(2,008)	407,282	352,132	32,643	(26,347)	358,428
Transactions with owners									
Tier 1 interest payment	-	-	-	-	-	-	(32,621)	-	(32,621)
Share-based payments	-	-	-	-	25,628	25,628	-	367	25,995
Transactions with non-controlling interests	-	-	-	-	1,650	1,650	-	22,380	24,030
Tax	-	-	-	-	7,182	7,182	-	-	7,182
Equity at 31 December 2017	68,284	174,721	(43,269)	51,936	3,985,584	4,237,256	346,048	38,110	4,621,414

STATEMENT OF TOTAL CAPITAL – SAXO BANK GROUP
AT 31 DECEMBER

(DKK 1,000)	2017	2016
Tier 1 capital		
Total equity 1 January excl. non-controlling interests	3,850,664	3,549,777
Net profit excl. non-controlling interests	427,470	328,054
Accrued interest (dividend) on Additional tier 1 capital, net of tax	(25,461)	(32,643)
Share-based payments	25,628	15,420
Total other comprehensive income	(42,695)	(16,792)
Change in Common equity tier 1 capital (CET1 capital)	1,650	(334)
Common equity tier 1 capital from subsidiaries	964	778
Hedging reserve	43,269	52,467
Intangible assets	(1,617,712)	(1,618,677)
Deferred tax liabilities, intangible assets	91,962	77,283
Deferred tax assets	(14,594)	(46,515)
Prudent valuation adjustments	(31,234)	(7,664)
Common equity tier 1 capital (net after deduction)	2,709,911	2,301,154
Additional tier 1 capital	334,802	334,802
Tier 1 capital from subsidiaries	101	98
Total Tier 1 capital	3,044,814	2,636,054
Tier 2 capital		
Subordinated debt, new regulation	351,131	343,215
Subordinated debt, old regulation, reduced value	-	26,275
Tier 2 capital from subsidiaries	169	163
Total Tier 2 capital	351,300	369,653
Total capital	3,396,114	3,005,707
Risk exposure amounts		
Credit risk	5,896,996	6,476,139
Market risk	3,952,949	3,837,350
Operational risk	5,099,745	5,136,766
Total Risk exposure amounts	14,949,690	15,450,255
Common equity tier 1 ratio	18.1%	14.9%
Tier 1 capital ratio	20.4%	17.1%
Total capital ratio	22.7%	19.5%

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)	2017	2016
Cash flow from operating activities		
Profit before tax	554,164	418,203
Tax paid	(130,387)	(46,924)
<i>Adjustment for non-cash operating items:</i>		
Amortisation and impairment charges of intangible assets	263,010	303,916
Depreciation and impairment charges of tangible assets and investment properties	42,757	46,814
Loan impairment charges	(7,826)	96,816
Other non-cash operating items	(142,989)	6,217
Total	578,729	825,042
<i>Changes in operating capital:</i>		
Receivables from credit institutions and central banks	9,537	(9,303)
Derivative financial instruments	84,876	(267,274)
Loans and other receivables at amortised cost	(64)	6,209
Bonds	1,674,550	(6,025,248)
Other assets	15,790	(7,544)
Debt to credit institutions and central banks	(3,219,336)	4,182,997
Deposits	176,735	5,128,559
Provisions and other liabilities	29,548	40,417
Cash flow from operating activities	(649,635)	3,873,855
Cash flow from investing activities		
Divestment of businesses and other participating interests, net of cash	1,639	3,573
Acquisition of intangible and tangible assets	(341,800)	(257,345)
Cash flow from investing activities	(340,161)	(253,772)
Cash flow from financing activities ¹⁾		
Tier 1 interest payment	(32,621)	(32,701)
Redemption of subordinated debt	(186,008)	(148,722)
Transactions with non-controlling interests	22,904	21,527
Share-based payments	8,361	6,896
Cash flow from financing activities	(187,364)	(153,000)
Net increase/(decrease) in cash and cash equivalents	(1,177,160)	3,467,083
Cash and cash equivalents at 1 January	8,005,793	4,538,710
Cash and cash equivalents at 31 December	6,828,633	8,005,793
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	2,720,359	5,577,707
Amounts due from credit institutions and central banks within three months	4,108,274	2,428,086
Cash and cash equivalents at 31 December	6,828,633	8,005,793

¹⁾ Cash and non-cash changes arising from financing activities are disclosed in note 19 Subordinated debt.

NOTES – SAXO BANK GROUP

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 commission, and the requirements in the Danish FSA's executive order on the application of IFRS by entities subject to the Danish Financial Business Act.

On 22 February 2018, the Board of Directors and Board of Management authorise the Annual Report for the financial year 2017 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 Annual General Meeting.

Comparative figures

Certain minor changes have been made to the comparative figures for 2016 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 2017 comprise Saxo Bank A/S and its subsidiaries (together referred to as "the Group").

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.

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 31.

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, group internal income and expenses, shareholdings, group internal balances, and realised and unrealised gains and losses on group internal 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 of 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, if any, 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 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.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies · continued

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, 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 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 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 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.

On initial recognition, transactions denominated in foreign currencies are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as Foreign exchange rate adjustments.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of transaction or the exchange rate in the latest financial statements is recognised in the income statement as Foreign exchange rate adjustments.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the income statements and statements of cash flows are translated at the exchange rates at the transaction date and 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. Both the foreign exchange adjustments arising on translation of the opening balance of equity (including goodwill) of foreign entities at the exchange rates at the reporting date and on translation of the income statements 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 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.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies - continued

Hedge accounting

Net investment hedge

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 any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and presented in equity under Translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified and recognised in the income statement when the foreign entity is disposed of as part of the gain or loss on the disposal.

Cash flow hedge

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.

NOTES – SAXO BANK GROUP

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

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

- trading assets, which are measured at fair value;
- loans and other 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.

NOTES – SAXO BANK GROUP

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 on 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, it is 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.

Intangible assets

Goodwill arises on the acquisition of subsidiaries 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 any impairment.

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 is 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.

NOTES – SAXO BANK GROUP

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

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.

Other assets and liabilities

The Group uses quantitative and qualitative materiality considerations when aggregating line items in the balance sheet that are not considered individually material. Such line items are presented under Other assets or Other liabilities and consist of net assets or net liabilities in defined benefit pension plans, investment property, investment securities, rent deposits etc.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies - continued

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.

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 adjusted for elimination of unrealised group internal profit and losses. 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.

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

Dividends are recognised as a liability when the dividends are adopted at the Annual General Meeting (date of declaration). Dividends proposed for the year are shown in Shareholders' equity.

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 proceeds 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. 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.

NOTES – SAXO BANK GROUP

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 2017:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases
- IFRS 17: Insurance contracts
- 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
- Amendments to IFRS 9: Prepayments Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 40: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- IFRIC 23: Uncertainty over Income tax Treatments

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

None of these standards and amendments are expected to have a material impact on the consolidated financial statements except from IFRS 9 and IFRS 16 mentioned below.

IFRS 9 Financial Instruments

The Group adopts from 1 January 2018 IFRS 9, the new accounting standard for financial instruments. The present IAS 39 accounting standard for Financial Instruments is replaced with IFRS 9. IFRS 9 provides principles for recognition, classification and measurement of financial instruments and hedge accounting.

IFRS 9 introduces a new impairment model to be applied for certain financial assets requiring earlier recognition of credit losses. The standard requires the Group to account for 12-month expected credit losses at the initial recognition of financial instruments measured at amortised cost and to make earlier recognition of lifetime expected credit losses. Application of the new impairment model increases the Groups provisions for impairment.

The estimated impact of IFRS 9 is an expense in the range of DKK 23-31 million, net of tax.

The adjustments to the carrying amounts of financial assets will be recognised in the retained earnings opening balance as per 1 January 2018. As permitted by the transitional provisions of IFRS 9 comparative figures will not be restated in the Annual Report for 2018.

There will be no changes to the classification and measurement of financial assets and financial liabilities, except for financial assets measured at amortised cost due to the new impairment model.

IFRS 16 Leases

From 1 January 2019 the Group adopts IFRS 16, the new accounting standard for leases. The standard changes the accounting requirements for lessees. The majority of leases (except for short-term and small ticket leases) shall be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments shall be recognised as an amortisation and interest expense over the lifetime of the lease. The Group has not finalised the analysis of the impact; however the standard will change the accounting of leases.

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

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.

NOTES – SAXO BANK GROUP

Note

2 Critical accounting estimates and judgements - continued

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 25 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 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 for 2017 results in a net gain of DKK 8 million for loans and other receivables (2016: net loss of DKK 97 million).

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.

Impairment loss related to goodwill and customer contracts recognised in 2017 amounts to DKK 7 million (2016: DKK 0 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 2017 no impairment losses related to other intangible assets are recognised (2016: DKK 10 million).

Note 15 Impairment test provides more information on impairment test.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016
3	Interest income		
	Credit institutions and central banks	65,040	45,576
	Loans and other receivables	165,531	141,549
	Bonds	200,335	146,841
	Derivative financial instruments	1,235,001	974,657
	Other interest income	3,014	2,524
	Total interest income	1,668,921	1,311,147
	Interest accrued on impaired loans and other receivables amounts to DKK 3.4 million (2016: DKK 2.7 million).		
4	Interest expense		
	Credit institutions and central banks	(64,695)	(62,271)
	Deposits	(14,245)	(13,166)
	Subordinated debt	(55,480)	(60,067)
	Derivative financial instruments	(90,453)	(46,634)
	Other interest expense	(1,081)	(109)
	Total interest expense	(225,954)	(182,247)
5	Fee and commission income		
	Trading with equities and derivative financial instruments	1,301,333	1,197,431
	Origination fees	35,543	32,890
	Asset management fees	13,407	17,730
	Other fee and commission income	35,317	34,572
	Total fee and commission income	1,385,600	1,282,623
6	Fee and commission expense		
	Trading with equities and derivative financial instruments	(888,542)	(881,804)
	Total fee and commission expense	(888,542)	(881,804)
7	Price and exchange rate adjustments		
	Bonds	(192,864)	(112,861)
	Investment securities	(667)	(2,777)
	Foreign exchange	1,007,356	1,150,151
	Derivative financial instruments ¹⁾	273,162	365,584
	Investment properties	(35)	(128)
	Total price and exchange rate adjustments	1,086,952	1,399,969

¹⁾ Other than foreign exchange.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016
8	Staff costs and administrative expenses		
	Staff costs	(1,182,563)	(1,153,929)
	Administrative expenses	(967,942)	(929,901)
	Total staff costs and administrative expenses	(2,150,505)	(2,083,830)
	Staff costs		
	Salaries	(1,156,290)	(1,103,621)
	Share-based payments	(17,694)	(8,774)
	Defined benefit pension plans	(3,584)	(6,062)
	Defined contribution pension plans	(78,594)	(81,368)
	Social security expenses and financial services employer tax	(132,421)	(124,372)
	Staff costs transferred to software under development	206,020	170,268
	Total staff costs	(1,182,563)	(1,153,929)
	Number of full-time-equivalent staff (avg.)	1,584	1,591

Note 30 provides information on Remuneration of management and significant risk takers.

Pension plans

Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to independent insurance companies responsible for the pension obligation towards the employees. 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 expects to pay DKK 4.0 million in contribution to defined benefit plans during 2018 (2017: DKK 4.6 million).

The Group has entered into 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.

At 31 December 2017, the net present value of obligations related to the defined benefit pension plans was DKK 82 million (2016: DKK 114 million), and the fair value of plan assets was DKK 49 million (2016: DKK 67 million). The present value of obligations under defined benefit plans less the fair value of pension assets is recognised for each plan under Other assets/Other liabilities. Pension plan net liabilities amounted to DKK 33 million (2016: DKK 47 million). The Group recognises the service cost and interest on the net defined benefit asset/liability in the income statement, whereas actuarial gains or losses are recognised under Other comprehensive income.

The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. 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.

Note	(DKK 1,000)	2017	2016
9	Audit fees		
	Audit firm appointed by the general meeting:		
	Fees for statutory audit of the consolidated and parent company financial statements	(3,554)	(3,703)
	Fees for other assurance engagements	(1,279)	(1,008)
	Fees for tax advisory services	(479)	(349)
	Fees for other services	(556)	(1,675)
	Total audit fees	(5,868)	(6,735)

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016
10	Impairment charges loans and receivables etc.		
	Loans and receivables etc.	(34,955)	(103,450)
	Reversal of impairment from previous years	42,781	6,634
	Total impairment charges loans and receivables etc.	7,826	(96,816)
11	Tax		
	Reconciliation of effective tax rate		
	Profit before tax	554,164	418,203
	Tax using the Danish tax rate 22% including CFC tax	(121,916)	(92,005)
	Effect of tax rates higher than 22% in foreign jurisdictions	(13,940)	(9,634)
	Changes in deferred tax from change in tax rate	(68)	203
	Non tax-deductible expenses	(16,778)	(12,381)
	Tax-exempt income	1,010	3,401
	Impairment	(711)	(699)
	Non exempted withholding tax and other taxes	(1,419)	(3,242)
	Adjustments to tax previous years	781	(1,398)
	Total income tax recognised in income statement	(153,041)	(115,755)
	Effective tax rate	27.6%	27.7%

2017	Income statement	Other comprehensive income	Directly in equity	Total
Current tax	(106,516)	(24,251)	7,182	(123,585)
Changes in deferred tax for the year	(45,818)	(1,578)	-	(47,396)
Changes in deferred tax from change in tax rate	(68)	-	-	(68)
Non exempted withholding tax and other taxes	(1,419)	-	-	(1,419)
Adjustment to previous years	781	-	-	781
Total	(153,041)	(25,829)	7,182	(171,688)

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 and other taxes	(3,242)	-	-	(3,242)
Adjustment to previous years	(1,398)	-	-	(1,398)
Total	(115,755)	(93)	7,182	(108,666)

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

11 Tax - continued

Tax recognised in Other comprehensive income

2017	Before tax	Tax	Net of tax
Exchange rate adjustments	(145,248)	-	(145,248)
Hedge of net investments in foreign entities	104,417	(21,509)	82,908
Fair value adjustment of cash flow hedges	11,940	(2,742)	9,198
Remeasurement of defined benefit plans	12,025	(1,578)	10,447
Total	(16,866)	(25,829)	(42,695)

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)

Deferred tax assets and deferred tax liabilities	2017	2016
Deferred tax at 1 January, net	31,183	54,711
Change in deferred tax for the year	(47,396)	(25,222)
Change in deferred tax from change in tax rate	(68)	203
Adjustments to previous years	(6,304)	1,246
Exchange rate adjustments	(3,018)	245
Deferred tax at 31 December, net	(25,603)	31,183

	Deferred tax assets		Deferred tax liabilities		Total deferred tax	
	2017	2016	2017	2016	2017	2016
Intangible assets	-	(4)	(81,865)	(64,247)	(81,865)	(64,251)
Tangible assets	-	45	(513)	6,532	(513)	6,577
Tax losses carried forward	14,594	27,651	-	18,865	14,594	46,516
Provisions	13,957	14,252	28,224	28,089	41,181	42,341
Total	28,551	41,944	(54,154)	(10,761)	(25,603)	31,183

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

Deferred tax assets DKK 15 million (2016: DKK 47 million) arising from unused tax losses are recognised to the extent that the realisation of the related benefit is probable. Tax losses of DKK 12 million (2016: DKK 23 million) expires 31 December 2022.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016					
12	Trading assets and liabilities							
	Listed bonds	23,350,095	25,112,340					
	Derivative financial instruments with positive fair value	5,359,737	5,987,595					
	Other securities (unlisted)	3,883	4,540					
	Total trading assets	28,713,715	31,104,475					
	Derivative financial instruments with negative fair value	2,519,801	3,036,757					
	Total trading liabilities	2,519,801	3,036,757					
13	Loans and other receivables at amortised cost							
	Trading clients	8,678	36,161					
	Lending clients	1,677,324	1,655,326					
	Total loans and other receivables at amortised cost	1,686,002	1,691,487					
14	Intangible assets							
2017		Goodwill	Software under development	Software developed	Software purchased	Client relationships	Other	Total
	Cost at 1 January	1,040,110	9,173	2,427,331	122,910	75,132	7,664	3,682,320
	Additions	-	293,066	9,256	5,554	4,234	-	312,110
	Transfers from internal development	-	(281,801)	281,801	-	-	-	-
	Disposals	-	-	(502,405)	(26,120)	(16,614)	(7,645)	(552,784)
	Exchange rate adjustments	(50,001)	-	(23)	(838)	(2,247)	(1)	(53,110)
	Cost at 31 December	990,109	20,438	2,215,960	101,506	60,505	18	3,388,536
	Amortisation and impairment at 1 January	(79,849)	-	(1,797,188)	(111,634)	(67,313)	(7,659)	(2,063,643)
	Amortisation	-	-	(245,852)	(8,139)	(2,395)	(2)	(256,388)
	Impairment losses ¹⁾	(6,624)	-	-	-	-	-	(6,624)
	Disposals	-	-	502,405	26,120	16,614	7,645	552,784
	Exchange rate adjustments	-	-	39	721	2,285	2	3,047
	Amortisation and impairment at 31 December	(86,473)	-	(1,540,596)	(92,932)	(50,809)	(14)	(1,770,824)
	Carrying amount at 31 December	903,636	20,438	675,364	8,574	9,696	4	1,617,712

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

14 Intangible assets - continued

2016	Goodwill	Software under development	Software developed	Software purchased	Client relationships	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

¹⁾ For details of impairment losses, see note 15 Impairment test.

In 2017, the Group expensed DKK 15.3 million (2016: DKK 8.8 million) for development projects, primarily planning costs.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

15 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.

	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
2017				
Saxo Bank (Switzerland) AG	351,675	0.34%	6.90%	8.56%
Nordic activities	245,681	1.77%	8.50%	10.38%
Other	306,280	-	-	-
Total	903,636			
	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
2016				
Saxo Bank (Switzerland) AG	383,307	0.44%	6.90%	8.53%
Nordic activities	245,681	1.88%	8.50%	9.89%
Other	331,273	-	-	-
Total	960,261			

The cash flow projections are based on earnings estimates for each of the CGUs for a 5-year forecast period. Anchor Forecast for 2018 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 2018, the estimated earnings from 2019 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

Impairment loss related to goodwill recognised in 2017 amounts to DKK 7 million (2016: DKK 0 million). The recoverable amount of the impaired goodwill amounts to DKK 11 million.

Key assumptions

The carrying amount of goodwill related to Saxo Bank (Switzerland) AG represents 39% of the total goodwill. In the impairment test a revenue growth of 3% in 2018 and 7% year on year for 2019-2022 and steady cost base due to the business scalability is applied. In the terminal period a growth of 0.3% is applied for both revenue and costs. A sensitivity analysis shows that if the growth rate in the terminal period decline from 0.3% 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 Nordic activities represents 27% of the total goodwill. In the impairment test a growth in net profit of 6% in 2018 and 3% year on year for 2019-2022 is applied. In the terminal period a growth of 1.8% is applied. A sensitivity analysis shows that if the growth rate in the terminal period decline from 1.8% to 0.7% or the discount rate post tax increases from 8.5% to 9.3% all other things equal the excess value would be zero.

The carrying amount of goodwill related to Other represents 34% of the total goodwill. Other goodwill mainly relates to Group entities in United Kingdom, France, India and the Netherlands.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

16 Domicile properties

The carrying amount of tangible assets amounts to DKK 785 million (2016: DKK 784 million) of which DKK 693 million (2016: DKK 705 million) is domicile properties. If domicile properties were carried under the cost method, the carrying amount would have amounted to DKK 625 million (2016: DKK 636 million).

The fair value of the Groups domicile properties rely on non-observable input.

The domicile properties are measured by applying an asset return model. No independent valuer has been involved. The key input in the asset return model is the rate of return and market rent.

The weighted average rate of return applied in the fair value calculation of domicile properties is 5.50% (2016: 5.24%).

The value of domicile properties decreases with DKK 61.5 million (2016: 62.9 million) if the rate of return increases with 0.5 percentage point.

No revaluation has taken place in 2017 or 2016.

	2017	2016
17 Deposits		
Deposits	26,963,978	27,022,423
Term deposits	105,302	128,693
Time deposits	15,298	16,811
Special deposits	726,585	762,466
Total deposits	27,811,163	27,930,393
18 Provisions		
Provisions at 1 January	120,628	129,038
Additional provisions recognised	18,739	10,082
Used during the year	(25,164)	(4,898)
Reversal of unused provisions	(4,996)	(13,512)
Exchange rate adjustments	(2,480)	(82)
Provisions at 31 December	106,727	120,628

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.

NOTES – SAXO BANK GROUP

Note		(DKK 1,000)								2017	2016	
19	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	15.09.2020	EURIBOR	2.95%	10	3.95%	3	-	-	-	111,517	
EUR	2007	15.09.2020	EURIBOR	2.95%	10	3.95%	3	-	-	-	74,345	
EUR	2015	14.04.2025	Fixed/EURIBOR ¹⁾	14.40%	0.25	12.00%	4.75	12.30%	5	351,131	343,215	
Total Tier 2 capital instruments										351,131	529,077	

¹⁾ Fixed interest apply in first and second margin period and EURIBOR apply in third margin period.

Early redemption of subordinated debt is subject to approval from the Danish Financial Supervisory Authority (DFSA). In 2017, the Group redeemed nominal EUR 25 million (2016: EUR 20 million) of the subordinated debt by early redemption after approval from DFSA.

Saxo Bank A/S has 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 are eligible to constitute Tier 2 capital of Saxo Bank A/S under CRD IV.

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%. Capital ratios for the Group are disclosed in Statement of Total capital.

The Tier 2 notes constitute direct, unsecured and subordinated debt obligation of Saxo Bank A/S. 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.

Note 21 Equity provides information on Additional tier 1 capital accounted for as equity.

Cash and non-cash changes	2017	2016
At 1 January	529,077	674,070
Cash flows	(186,008)	(148,722)
Exchange rate adjustments	712	(2,608)
Amortisation	7,350	6,337
Total Tier 2 capital instruments at 31 December	351,131	529,077

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016
20	Other assets and other liabilities		
	Other assets		
	Investment securities	37,019	36,890
	Accrued interests and commissions	51,564	65,017
	Prepayments	102,953	105,103
	Rent deposits	26,212	27,580
	Investment properties	2,270	4,400
	Other receivables	66,257	69,731
	Total other assets	286,275	308,721
	Other liabilities		
	Accrued interests	9,063	10,696
	Suppliers and other outstanding costs	294,270	264,783
	Staff commitments	249,083	225,854
	Interest swaps	66,895	79,360
	Defined benefit pension plans	32,501	46,766
	Provision for guarantees	10,936	7,380
	Other obligations	7,985	9,284
	Total other liabilities	670,733	644,123

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016
21	Equity		
	Number of shares outstanding		
	Shares issued at 31 December	68,283,943	68,283,943
	Holding of treasury shares	67,706	67,706
	Shares outstanding at 31 December	68,216,237	68,216,237

The share capital consist of shares with a nominal value of DKK 1 per share. All shares are issued and fully paid and 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 2016	67,706	67,706	0.10%	
Purchased/sold	-	-	-	-
Holding at 31 December 2016	67,706	67,706	0.10%	
Purchased/sold	-	-	-	-
Holding at 31 December 2017	67,706	67,706	0.10%	

No dividend has been declared and paid to shareholders of Saxo Bank A/S in 2017 or 2016. The treasury shares are planned to be part of the long term incentive schemes.

Additional tier 1 capital

Currency	Year of issue	Maturity	Interest	Nominal	Rate	Years	2017	2016
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. Capital ratios are disclosed in Statement of Total capital.

As at December 2017, the Tier 1 capital notes including carrying interests included in equity amount to DKK 346 million (2016: 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.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

22 Expected due dates of balance sheet items

The Group presents the balance sheet items in order of liquidity instead of distinguishing between current and non-current items. The table below shows the balance sheet items expected to mature within one year (current) and after more than one year (non-current).

	2017		2016	
	< 1 year	> 1 year	< 1 year	> 1 year
Assets				
Cash in hand and demand deposits with central banks	2,720,359	-	5,577,707	-
Receivables from credit institutions and central banks	4,113,164	-	2,437,344	5,168
Trading assets	18,853,938	9,859,777	22,367,984	8,736,491
Loans and other receivables at amortised cost	739,860	946,142	715,714	975,773
Current tax assets	4,974	-	8,687	-
Intangible assets	256,386	1,361,326	294,034	1,324,643
Tangible assets	42,367	742,432	46,647	737,660
Other assets	220,774	65,501	239,850	68,871
Liabilities				
Debt to credit institutions and central banks	3,462,398	302,169	6,661,212	331,400
Trading liabilities	2,245,879	273,922	3,036,757	-
Deposits	27,170,039	641,124	27,264,788	665,605
Current tax liabilities	55,861	-	75,766	-
Other liabilities	560,400	110,333	510,470	133,653
Provisions	31,466	75,261	52,028	68,600
Subordinated debt	-	351,131	-	529,077

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

23 Contractual due dates of financial liabilities

The table below shows the contractual due dates of financial liabilities broken down by maturity time bands. The maturity analysis is based on the earliest date the Group can be required to pay and does not reflect the expected due dates.

The financial liabilities balances in the table (except from Derivative financial instruments) do not reconcile with the amounts reported in the consolidated statement of financial position as it incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. Interest payments are based on market conditions at 31 December.

2017	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	3,433,609	10,969	32,848	173,640	259,443	3,910,509
Deposits	26,858,448	298,682	12,928	56,614	584,911	27,811,583
Subordinated debt	-	10,534	31,602	168,543	447,639	658,318
Total financial liabilities (non-derivatives)	30,292,057	320,185	77,378	398,797	1,291,993	32,380,410
Currency contracts	-	776,231	27	85,025	-	861,283
Interest rate contracts	-	49,887	12,058	1,194	66,895	130,034
Equity contracts	-	1,153,418	159,381	97,700	3,791	1,414,290
Commodity contracts	-	90,777	3,588	86,212	-	180,577
Other contracts	-	512	-	-	-	512
Total financial liabilities (derivatives)	-	2,070,825	175,054	270,131	70,686	2,586,696
Guarantees	49,001	309,249	202,088	139,687	380,924	1,080,949
Loan commitments etc.	348,358	603,502	-	-	-	951,860
Total financial liabilities (other)	397,359	912,751	202,088	139,687	380,924	2,032,809
Total	30,689,416	3,303,761	454,520	808,615	1,743,603	36,999,915

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 (non-derivatives)	33,575,511	333,356	86,685	786,674	1,263,821	36,046,047
Currency contracts	-	1,494,444	-	-	-	1,494,444
Interest rate contracts	-	50,389	-	-	79,360	129,749
Equity contracts	-	1,156,954	-	-	-	1,156,954
Commodity contracts	-	334,970	-	-	-	334,970
Total financial liabilities (derivatives)	-	3,036,757	-	-	79,360	3,116,117
Guarantees	44,512	214,916	168,972	82,232	337,833	848,465
Loan commitments etc.	339,401	628,897	-	-	-	968,298
Total financial liabilities (other)	383,913	843,813	168,972	82,232	337,833	1,816,763
Total	33,959,424	4,213,926	255,657	868,906	1,681,014	40,978,927

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

24 Offsetting financial assets and liabilities

2017	Gross amount	Offsetting	Net carrying amount in the statement of financial position	Amounts not offset but subject to master netting agreement and similar agreements			Net amount
				Financial instruments	Cash collateral	Financial collateral	
Financial assets							
Derivatives with positive fair value ¹⁾	5,359,737	-	5,359,737	(1,177,703)	(3,852,654)	(8,865)	320,515
Total	5,359,737	-	5,359,737	(1,177,703)	(3,852,654)	(8,865)	320,515
Financial liabilities							
Derivatives with negative fair value ¹⁾	2,519,801	-	2,519,801	(1,177,703)	(179,729)	(45,996)	1,116,373
Interest swaps ²⁾	66,895	-	66,895	-	-	(66,895)	-
Total	2,586,696	-	2,586,696	(1,177,703)	(179,729)	(112,891)	1,116,373
2016							
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

¹⁾ Recognised as Trading assets and liabilities in statement of financial position, see note 12.

²⁾ Recognised as Other liabilities in statement of financial position, see note 20.

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).

Cash collateral received is recognised in Deposits and Debt to credit institutions and central banks in the statement of financial position. Cash and financial collateral provided is part of Assets deposited as collateral in note 29.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

25 Classification and valuation of financial instruments

	Fair value through profit and loss		Amortised cost		Total carrying amount
	Held for trading	Designated	Loans and other receivables	Liabilities	
2017					
Financial assets					
Cash in hand and demand deposits with central banks	-	-	2,720,359	-	2,720,359
Receivables from credit institutions and central banks	-	-	4,113,164	-	4,113,164
Trading assets	28,713,715	-	-	-	28,713,715
Loans and other receivables at amortised cost	-	-	1,686,002	-	1,686,002
Investment securities ¹⁾	-	37,019	-	-	37,019
Financial liabilities					
Debt to credit institutions and central banks	-	-	-	3,764,567	3,764,567
Trading liabilities	2,519,801	-	-	-	2,519,801
Deposits	-	-	-	27,811,163	27,811,163
Subordinated debt	-	-	-	351,131	351,131
	Fair value through profit and loss		Amortised cost		Total carrying amount
	Held for trading	Designated	Loans and other receivables	Liabilities	
2016					
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 ¹⁾	-	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

¹⁾ Investment securities are presented in the statement of financial position as Other assets and Other liabilities, note 20.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

25 Classification and valuation of financial instruments - continued

Fair value hierarchy for financial instruments

	Quoted market price - Level 1	Observable input - Level 2	Non- observable input - Level 3	Total fair value	Total carrying amount
2017					
Financial assets¹⁾					
Trading portfolio bonds	23,350,095	-	-	23,350,095	23,350,095
Trading portfolio equities	883	-	3,000	3,883	3,883
Derivative financial instruments with positive value	1,952,986	3,147,568	259,183	5,359,737	5,359,737
Loans and other receivables at amortised cost	-	-	1,677,452	1,677,452	1,686,002
Investment securities ²⁾	-	-	37,019	37,019	37,019
Financial liabilities					
Derivative financial instruments with negative value	1,638,728	881,073	-	2,519,801	2,519,801
Interest swaps ²⁾	-	66,895	-	66,895	66,895
Subordinated debt	-	-	351,131	351,131	351,131
2016					
Financial assets¹⁾					
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 ²⁾	-	-	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
Interest swaps ²⁾	-	79,360	-	79,360	79,360
Subordinated debt	-	-	492,473	492,473	529,077

¹⁾ Trading portfolio bonds, equities and derivatives are presented in the statement of financial position as Trading assets and Trading liabilities, note 12.

²⁾ Investment securities and interest swaps are presented in the statement of financial position as Other assets and Other liabilities, note 20.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

25 Classification and valuation of financial instruments · continued

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.

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

Financial instruments valued at the basis of non-observable input	2017	2016
Fair value at 1 January	313,662	324,959
Additions	1,324	7,950
Disposals	(16,974)	(11,100)
Value adjustments through profit or loss:		
Fair value adjustments realised	1,884	(148)
Fair value adjustments unrealised	(694)	(7,999)
Fair value at 31 December	299,202	313,662

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

26 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 2017, the fair value of the hedging instrument amounted to DKK 1,496 million (2016: DKK 1,389 million). The corresponding carrying amount of net investments hedged amounted to DKK 1,478 million (2016: DKK 1,398 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 2017, the carrying amount of mortgage hedged amounted to DKK 331 million (2016: DKK 360 million) and the fair value of the hedging instruments amounted to DKK 67 million and nominal value DKK 296 million (2016: DKK 79 million and the nominal value DKK 314 million).

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

	2017	2016
Cash inflows		
Within 1 year	-	-
1-5 years	3,688	2,705
More than 5 years	8,288	10,474
Cash outflows		
Within 1 year	(14,396)	(15,425)
1-5 years	(44,624)	(48,904)
More than 5 years	(27,126)	(36,521)

During 2017, losses of DKK 13.6 million (2016: DKK 14.1 million) relating to cash flow hedge were transferred from equity to profit and loss and are reflected in interest expense. At 31 December 2017, net gains of DKK 11.9 million (2016: net loss of DKK 0.04 million) relating to the cash flow hedges were recognised in other comprehensive income.

27 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2017, 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-1250 Copenhagen, Denmark.
 TPG Merl Sarl, L-2453, Luxembourg.
 Gold Shine Investment Holding Pte. Ltd., S-048616, Singapore.

(DKK million)	Board of Directors and Board of Management		Parties with significant influence	
	2017	2016	2017	2016
Deposits (liabilities)	1.7	0.6	11.4	0.7
Other services	0.1	0.8	17.0	14.3

Remuneration to Board of Directors and Board of Management is disclosed in note 30 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.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016
28	Contingent and other contractual commitments		
	Guarantees		
	Financial guarantees	242,293	193,147
	Mortgage finance guarantees	329,691	286,951
	Registration and remortgaging guarantees	220,403	170,952
	Other guarantees	288,562	197,415
	Total guarantees	1,080,949	848,465
	Loan commitments etc.		
	Other unutilised credit facilities	951,860	968,298
	Total loan commitments etc.	951,860	968,298
	Other contractual commitments		
	Other contractual commitments incl. operating leases	459,895	404,020
	Total other contractual commitments	459,895	404,020

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 2017 amounts to DKK 63.1 million (2016: DKK 51.8 million).

At 31 December 2017, minimum future operating lease payments under non-cancellable operating leases amounts to DKK 119.7 million (2016: DKK 82.0 million), with DKK 48.6 million (2016: DKK 40.3 million) relating to operating leases payments within one year, DKK 71.1 million (2016: DKK 40.3 million) from one to five years and DKK 0 million (2016: DKK 1.3 million) above 5 years.

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 with these for payments of Danish corporate tax and withholding tax etc.

29 Assets deposited as collateral

Of the Group's bond holdings, bonds with a nominal value of DKK 4.1 billion (2016: DKK 4.8 billion), and a fair value of DKK 4.1 billion (2016: DKK 4.8 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 2017, 18% (2016: 19%) of the Group's total fair value of bonds were held in custody.

Of deposits with investment brokers, banks and other credit institutions, DKK 224.5 million (2016: DKK 105.8 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 71.8 million (2016: DKK 94.8 million) as security for an interest swap entered to hedge the Group's mortgage debt.

Debt to credit institutions is secured by mortgage deed of DKK 365 million (2016: DKK 365 million) on the Group's domicile properties.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2017	2016
30	Remuneration of management and significant risk takers		
	Remuneration of Board of Management		
	Salaries and other remuneration	(29,258)	(31,886)
	Defined contribution pension plans	(1,372)	(1,253)
	Share-based payments	(1,132)	(4,356)
	Total remuneration of Board of Management	(31,762)	(37,495)
	In 2017, variable remuneration to Board of Management amounts to DKK 3.1 million (2016: DKK 9.0 million).		
	Remuneration of Board of Management		
	Kim Fournais	(14,472)	(14,449)
	Søren Kyhl	(10,086)	(16,322)
	Steen Blaaufalk	(7,204)	(6,724)
	Total remuneration of Board of Management	(31,762)	(37,495)

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		2017	2016
Henrik Normann (Chairman)	From 19 May 2015	(1,708)	(1,000)
Lone Fønss Schrøder ¹⁾	From 20 December 2013	(2,041)	(2,000)
Asiff S. Hirji	From 14 April 2014	(1,500)	(1,500)
Wikawi Oei	From 16 December 2015	(750)	(781)
Jacob Polny	From 20 December 2013	-	-
Thomas Plenborg	From 6 April 2010	(1,000)	(1,000)
	Total remuneration of Board of Directors	(6,999)	(6,281)

In 2017, variable remuneration to Board of Directors amounts to DKK 0.7 million (2016: DKK 0 million). The Group has no pension obligations towards the Board of Directors.

¹⁾ Has retired from the board of Directors as of 20 February 2018, Henrik Normann has assumed the position of chairman.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

30 Remuneration of management and significant risk takers - continued

Remuneration of significant risk takers	2017	2016
Number of significant risk takers (full-time-equivalents)	36	41
Fixed remuneration	(101,174)	(99,221)
Variable remuneration	(16,845)	(13,245)
Total remuneration of significant risk takers	(118,019)	(112,466)

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. 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.

Expense in income statement

In total DKK 18 million (2016: DKK 9 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.

Warrants Saxo Bank A/S

Warrants with a right to subscribe for shares in Saxo Bank A/S were sold to employees in Saxo Bank Group in 2017 (2,550,777 warrants), 2016 (865,800 warrants) and in 2015 (2,156,175 warrants). The fair value of the warrants issued in 2017 was estimated to DKK 25 million and in 2016 and 2015 the fair value of warrants issued was estimated to DKK 10 million and 11 million respectively. 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 (-0.26%/0.27%), volatility (25%), share price (140/115) and exercise restrictions etc. 25% volatility is applied based on the annualised volatility on relevant peer groups derived from the standard deviation of daily observations in a 1 year period ending 2017. The warrants vest over a period of 3-5 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.

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.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

30 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 2016		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
Granted	180	113,220	-	2,437,557	2,550,777
Repurchased	180	-	-	(246,420)	(246,420)
Expired	120	(390,000)	-	-	(390,000)
Outstanding at 31 December 2017		113,220	2,669,100	4,007,400	6,789,720

¹⁾Includes warrants granted to previous member of Board of Management.

Warrants outstanding	Exercise price	Expiry date	Exercise period	2017	2016
Warrants in 2007	103	2018	2018	51,363	51,363
Warrants in 2008	148	2018	2018	1,770,000	1,770,000
Warrants in 2014	120	2017	2015-2017	-	130,000
Warrants in 2014	120	2017	2016-2017	-	130,000
Warrants in 2014	120	2017	2017	-	130,000
Warrants in 2015, 2016 and 2017	150	2022	2020-2022	1,656,119	888,000
Warrants in 2015, 2016 and 2017	180	2022	2020-2022	1,656,119	888,000
Warrants in 2015, 2016 and 2017	210	2022	2020-2022	1,656,119	888,000
Total warrants outstanding				6,789,720	4,875,363

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

30 Remuneration of management and significant risk takers - continued

Warrants Saxo Payments A/S

No warrants with a right to subscribe for shares in Saxo Payments A/S were granted or sold in 2017. In 2016, 8,040 warrants with a right to subscribe for shares in Saxo Payments A/S were granted or sold, 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 and in 2015 to 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.

Warrants outstanding	Exercise price	Expiry date	Exercise period	2017	2016
Warrants in 2014	72.00	2019	2019	19,999	48,332
Warrants in 2015	246.25	2019	2019	3,333	62,238
Warrants in 2016	373.11	2019	2019	-	8,040
Total warrants outstanding				23,332	118,610

In 2017, 95,278 warrants have been forfeited (2016: 1,668 warrants). No warrants have been exercised or expired in 2017 or 2016.

The warrants are held by current and former members of the Board of Directors and former employees of Saxo Payments A/S.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

31 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	164	1,281	100%
Saxo Bank Securities Ltd., Japan	JPY	62,504	1,191,795	100%
Saxo Bank (Schweiz) AG, Switzerland	CHF	2,351	55,142	100%
Saxo Banque France SAS, France	EUR	388	11,600	100%
Saxo Capital Markets HK, Hong Kong	HKD	18,137	122,064	100%
Saxo Capital Markets Pte. Ltd., Singapore	SGD	18,679	53,407	100%
Saxo Capital Markets Pty Ltd., Australia	AUD	2,400	16,607	100%
Saxo Capital Markets SA Ltd., South Africa	ZAR	20,433	74,808	100%
Saxo Capital Markets UK Ltd., UK	GBP	7,369	22,502	100%
Saxo Far East (HK) Limited, Hong Kong	HKD	394	8,443	100%
Saxo Payments A/S, Denmark	DKK	(58,213)	57,983	50.1%
Saxo Privatbank A/S, Denmark	DKK	(8,213)	389,000	99.6%
Other				
Ejendomsselskabet Bygning 119 A/S, Denmark	DKK	8,514	180,665	100%
Initto A/S, Denmark	DKK	(8)	24,835	100%
Saxo Treasury A/S, Denmark	DKK	(2,254)	27,184	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 approval of the consolidated financial statements of Saxo Bank.

Financial institutions supervised by national FSAs are subject to local statutory capital requirements. These requirements restrict intra-group facilities and dividend payouts.

Non-controlling interests, Saxo Payments A/S	2017	2016
Net profit	(59,528)	(58,213)
Total assets, current	2,452,238	1,134,808
Equity	44,041	57,983
Total liabilities, current	2,408,197	1,076,825
Contingent and other contractual commitment	16,842	26,903

The amounts disclosed represents the 100% share before intercompany eliminations. As per 31 December 2017, the non-controlling interests of Saxo Payments A/S represents 49.9% of the shares.

32 Events after the reporting date

On 5 February 2018, Saxo Bank A/S has signed a sales purchase agreement regarding the retail bank and wealth management activities in Saxo Privatbank A/S. The transaction is expected to be finalised in first half of 2018, pending approvals from the competition authorities and the Danish FSA.

The transaction has no material impact on either the financial result nor the equity for the Group in 2018. The transaction is expected to decrease the risk exposure amounts with DKK 2,275 million leading to an expected increase in the Total capital ratio with approximately 4%.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

The Group's 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 & Policies and the 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.
- Liquidity risk: The risk that the Group does not have sufficient liquidity to fulfil its payment obligations as and when they fall due. Also, 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 current business model. Finally, the risk that the Group does not comply with regulatory liquidity requirements, e.g. liquidity coverage ratio.
- Business risk: The risk of reduced earnings as a result of changes to external circumstances and events due to risks not related to 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.

The unaudited Risk Report 2017 provides additional information about the Group's risk management approach. Risk Report 2017 is available for download from the Group's website at www.home.saxo/about-us/icaap-and-risk-reports.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

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.

General credit risk

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

Counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction. A financial loss would occur if the transactions or portfolio of transactions with a counterparty has a positive financial value at the time of default and if the collateral posted by the counterparty is insufficient to cover the loss.

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.

Credit risk from activities in the Group's Trading Book

The Group is exposed to credit risk through bonds holdings obtained as part of the liquidity management. However, the Board Risk Appetite Statement 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).

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT RISK - continued

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, counterparty risk and exposures from investing activities.

2017	Lending activities	Counter-party risk	Investing activities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	-	2,720,359	-	2,720,359
Receivables from credit institutions and central banks	-	4,113,164	-	4,113,164
Trading assets	-	5,359,737	23,353,978	28,713,715
Loans and other receivables at amortised cost	1,790,172	-	-	1,790,172
Investment securities	-	-	37,019	37,019
Credit exposure before impairment	1,790,172	12,193,260	23,390,997	37,374,429
Impairment loans	(104,170)	-	-	(104,170)
Credit exposure in statement of financial position	1,686,002	12,193,260	23,390,997	37,270,259
Off-balance items				
Guarantees	1,091,885	-	-	1,091,885
Other unutilised credit facilities ¹⁾	603,502	-	-	603,502
Impairment for off-balance items	(10,936)	-	-	(10,936)
Credit exposure off-balance items	1,684,451	-	-	1,684,451
Total credit exposure net of impairment	3,370,453	12,193,260	23,390,997	38,954,710
2016				
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	14,007,813	25,153,771	41,057,866
Impairment loans	(204,795)	-	-	(204,795)
Credit exposure in statement of financial position	1,691,487	14,007,813	25,153,771	40,853,071
Off-balance items				
Guarantees	855,845	-	-	855,845
Other unutilised credit facilities ¹⁾	628,898	-	-	628,898
Impairment 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	14,007,813	25,153,771	42,330,434

¹⁾The Group has in addition granted credit facilities in regards to stock loans. The additional unutilised credit facilities amount to DKK 348 million as per 31 December 2017 (2016: DKK 339 million). The credit facilities can only be utilised, if required collateral is provided and can be terminated on demand.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT RISK - 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 commitments, that involve credit risk, are classified into the following six rating categories:

	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
2017					
1 Outstanding clients	182,876	-	182,876	42,388	140,488
2 Good clients	1,113,387	-	1,113,387	370,226	743,161
3 Standard clients	1,544,548	-	1,544,548	452,246	1,092,302
4 Clients that show some weakness	405,875	-	405,875	78,777	327,098
5 Weak clients that need increased attention	22,769	-	22,769	4,081	18,688
6 Clients with impairment	216,104	(104,135)	111,969	82,573	29,396
Total before collective impairment	3,485,559	(104,135)	3,381,424	1,030,291	2,351,133
Collective impairment	-	(10,971)	(10,971)	-	(10,971)
Total	3,485,559	(115,106)	3,370,453	1,030,291	2,340,162
2016					
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 that 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

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT RISK - 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 subject to a haircut. The haircut reflects the risk that the Group will not be able to obtain the estimated market value upon sale of the individual asset in a distressed situation. The haircut applied 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.

	Investment brokers and trading clients	Lending clients	Total
2017			
Credit exposure net of impairment	169,743	3,200,710	3,370,453
Collateral			
Cash	8,678	33,039	41,717
Exchange traded equities, bonds and mutual funds	117,736	170,788	288,524
Property	-	671,929	671,929
Other	-	28,121	28,121
Total collateral	126,414	903,877	1,030,291
Total unsecured credit exposure lending activities	43,329	2,296,833	2,340,162
2016			
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

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT RISK - LENDING ACTIVITIES - continued

Past due loans not impaired

2017	Investment brokers and trading clients	Lending clients	Total
From 1 day to 1 month	1,272	215,185	216,457
From 1-3 months	686	4,315	5,001
More than 3 months	2,366	1,930	4,296
Total past due loans not impaired	4,324	221,430	225,754

2016

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

Credit quality of loans neither past due nor impaired

2017	Investment brokers and trading clients	Lending clients	Total
1 Outstanding clients	27,765	26,287	54,052
2 Good clients	27,036	361,270	388,306
3 Standard clients	92,960	719,894	812,854
4 Clients that shows some weakness	970	265,898	266,868
5 Weak clients that need increased attention	2	18,196	18,198
Total loans neither past due nor impaired	148,733	1,391,545	1,540,278

2016

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 that 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

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)	2017	2016
CREDIT RISK - LENDING ACTIVITIES · continued		
Credit exposure broken down by sector, industry and geography (%)		
Corporate sector		
Agriculture, hunting, forestry and fisheries	1%	2%
Industry and extraction of raw materials	1%	1%
Buildings and construction	2%	2%
Trading	3%	5%
Transport, hotels and restaurants	2%	2%
Finance and insurance	15%	9%
Real estate	9%	9%
Other businesses	8%	8%
Total corporate sector	41%	38%
Private clients	59%	62%
Total credit exposure loans, other receivables, guarantees etc. net of impairment	100%	100%
Hereof related to clients in foreign countries	4%	5%
Impairment allowance for loans and receivables etc.		
Individual impairment allowance for loans, receivables and guarantees		
Impairment allowance at 1 January	185,827	126,084
Impairment for the year	31,456	86,451
Reversals of impairment from previous years	(17,380)	(7,662)
Other	3,275	1,314
Amounts written off	(99,043)	(20,360)
Individual impairment allowance for loans, receivables and guarantees at 31 December	104,135	185,827
Collective impairment allowance for loans, receivables and guarantees		
Impairment allowance at 1 January	26,348	9,635
Impairment for the year	343	16,999
Reversals of impairment from previous years	(15,720)	(286)
Collective impairment allowance for loans, receivables and guarantees at 31 December	10,971	26,348

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT RISK VERSUS BROKERS

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

2017	Credit institutions	Central banks	Total
AAA	503	2,313,794	2,314,297
AA+	2,868	-	2,868
AA	24,984	394,617	419,601
AA-	343,082	-	343,082
A+	136,530	-	136,530
A	1,757,711	135	1,757,846
A-	138,732	-	138,732
BBB+	779,399	-	779,399
BBB	800,022	-	800,022
BBB-	23,576	-	23,576
BB+	-	-	-
BB	38,135	-	38,135
BB-	15,294	-	15,294
Sub-investment grade or unrated ¹⁾	52,328	-	52,328
Total	4,113,164	2,708,546	6,821,710
2016			
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	-	-	-
BBB-	24,268	-	24,268
BB+	10,186	-	10,186
BB	36,834	-	36,834
BB-	-	-	-
Sub-investment grade or unrated ¹⁾	211,716	-	211,716
Total	2,442,512	5,565,714	8,008,226

¹⁾ Credit institutions unrated have been approved based on internal rating methodology.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT RISK VERSUS BROKERS · continued

Receivables from credit institutions and central banks broken down by geography

	Credit institutions	Central banks	Total
2017			
Denmark	1,862,726	864,689	2,727,415
Europe, excluding Denmark	1,792,104	1,843,857	3,635,961
USA	315,958	-	315,958
Australia	32,510	-	32,510
Asia	87,944	-	87,944
Other	21,922	-	21,922
Total	4,113,164	2,708,546	6,821,710
2016			
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

Impairment for receivables from credit institutions and central banks

No receivables from credit institutions or central banks are considered past due or impaired (2016: DKK 0 million). DKK 6 million (2016: DKK 134 million) is received as collateral from credit institutions and central banks.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT RISK IN THE GROUP'S TRADING BOOK

Derivatives are subject to credit risk. The Group has entered into master netting or similar agreements that include rights to additional set-off in the event of default by a counterparty. Such agreements reduce the exposure further, but they do not qualify for offsetting. The net current exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 321 million (2016: DKK 557 million) according to note 24 in the consolidated financial statements. The net uncovered positive fair value generally represents credit exposures, which the Group has accepted within its policies and risk limits, either as a granted credit line or through a closeout netting agreement, which is not formally verified by a legal opinion.

Bond portfolio broken down by rating category

	Danish mortgage bonds	Government bonds	Corporate bonds	Total
2017				
AAA	7,930,913	216,915	-	8,147,828
AA+	6,065,163	4,787,249	-	10,852,412
AA	-	2,269,780	-	2,269,780
Other investment grade	-	2,080,075	-	2,080,075
Total	13,996,076	9,354,019	-	23,350,095
2016				
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
Sub-investment grade or unrated	-	2,456,699	570,842	3,027,541
Total	13,059,864	11,481,634	570,842	25,112,340

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

Bond portfolio broken down by geography

	Danish mortgage bonds	Government bonds	Corporate bonds	Total
2017				
Denmark	13,996,076	-	-	13,996,076
Europe, excluding Denmark	-	5,382,547	-	5,382,547
USA	-	3,971,472	-	3,971,472
Total	13,996,076	9,354,019	-	23,350,095
2016				
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

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(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 Policies as well as specific limits for the different types of market risk defined in the Group's risk appetite. Based on this, market risk limits are delegated to the organisation. Market risk exposures are monitored by Group Risk & Capital Management, 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 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.

Risk exposure amounts according to the standard method for market risk

	Group	Of which is covered by VaR positions ¹⁾
2017		
Foreign currency risk	672,730	638,404
<i>hereof non-delta risks</i>	251,610	251,610
Interest rate risk	2,786,326	2,786,326
Equity price risk	46,047	40,047
Commodity price risk	447,846	447,846
<i>hereof non-delta risks</i>	-	-
2016		
Foreign currency risk	902,108	799,001
<i>hereof non-delta risks</i>	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
<i>hereof non-delta risks</i>	-	-

¹⁾VaR positions are disclosed on page 88.

The Group's Foreign currency risk that arises in the daily cash management handling in the subsidiaries and the equity price risk from Saxo Privatbank are not part of the daily calculation of VaR.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

MARKET RISK · continued

Trading and investment services

The Group operates its trading and investment business using the Group's online trading and investment 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 obtained via market making and client 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 exposures 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

	2017	2016
VaR positions		
Foreign currency risk	1,025	1,211
Interest rate risk	7,937	7,203
Equity price risk	303	738
Commodity price risk	118	131
Total VaR	7,792	7,221

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.

The VaR position is dependent on the Group's exposure (limits) and the conditions in the market place. The VaR positions at 29 December 2017 are in general representative for the VaR development during 2017. Any fluctuations in VaR were mainly due to varying market conditions and a result of ongoing work to become less dependent on market making activities.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

MARKET RISK · continued

Foreign currency risk

The Group measures its foreign currency risk using Foreign currency indicator 1 and 2.

Foreign currency indicator 1 is calculated as the higher of the sum of long foreign currency positions or the sum of short foreign currency positions.

The Groups foreign currency positions can be specified as follows:

Foreign currency indicator 1

2017

EUR	310,693
USD	38,512
XAU	19,893
SEK	16,599
CZK	10,275
Other	25,148
Total	421,120

2016

EUR	364,199
USD	56,913
SGD	27,338
INR	26,702
PLN	13,646
Other	44,249
Total	533,047

	2017	2016
Foreign currency indicator 2		
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-days periods. Foreign currency indicator 2 means, that if the Group does net 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.		
Total	1,621	1,287
Interest rate risk		
Interest rate risk on financial instruments included in trading portfolio	152,573	149,063
Interest rate risk on loans not included in trading portfolio	(27,389)	(35,087)
Total interest rate risk	125,184	113,976

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

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

MARKET RISK - continued

Derivative financial instruments	2017			2016		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards/futures purchased	24,064,750	76,840	(304,459)	39,790,513	264,090	(260,357)
Forwards/futures sold	32,396,393	314,979	(171,405)	50,190,983	417,514	(253,354)
Options purchased	27,892,882	88,865	(99,495)	33,271,623	124,715	(444,464)
Options written	29,496,109	367,892	(77,806)	33,161,487	615,186	(110,509)
Unsettled spot purchased	22,794,674	772,315	(156,240)	9,855,169	1,339,439	(162,766)
Unsettled spot sold	33,516,273	1,181,273	(51,878)	16,203,772	730,683	(262,993)
Interest rate contracts						
Forwards/futures purchased	18,620,997	41,546	(3,649)	16,707,605	17,299	(23,965)
Forwards/futures sold	18,620,408	5,346	(54,773)	16,707,589	36,914	(15,674)
Options purchased	7,684,601	2,187	(2,786)	6,354,361	1,035	(9,706)
Options written	7,684,601	2,786	(1,931)	6,354,361	9,706	(1,044)
Interest swaps ¹⁾	335,897	-	(66,895)	335,897	-	(79,360)
Equity contracts						
Forwards/futures purchased	22,287,795	869,882	(747,383)	22,968,908	916,908	(582,015)
Forwards/futures sold	22,873,123	944,641	(195,490)	22,976,666	744,591	(207,997)
Options purchased	23,623,762	559	(470,844)	14,107,978	515	(366,427)
Options written	23,623,762	470,828	(573)	14,107,978	366,426	(515)
Commodity contracts						
Forwards/futures purchased	5,655,751	79,361	(101,038)	6,889,777	189,915	(120,119)
Forwards/futures sold	5,618,030	106,910	(47,354)	6,883,067	121,832	(124,023)
Options purchased	2,638,117	664	(32,070)	4,479,157	2,798	(88,029)
Options written	2,638,117	32,862	(115)	4,479,157	88,029	(2,800)
Other contracts						
Credit derivatives sold	62,027	-	(512)	-	-	-
Total derivatives held for trading purpose		5,359,737	(2,586,696)		5,987,595	(3,116,117)

¹⁾ Interest swaps are presented as Other liabilities, see note 20.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

OPERATIONAL RISK

Operational risk is inherent in all activities within the Group, 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 Policies and Risk Appetite Statements are reviewed as often as needed and as a minimum once a year.

The Board of Management oversees the Group's operational risk management and has 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 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.

The Group's operational risk landscape is mapped 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 and 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.

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 fulfil 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 withstand a stressed scenario of 30 days.

In Denmark, the LCR requirement is being phased-in gradually, with a 80% requirement in 2017 and 100% in 2018.

As of 31 December 2017, the Group's reported LCR ratio was 205% (2016: 160%). The Group is highly liquid and holds a large portfolio of Level 1 assets hereunder cash at central banks.

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 a 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.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

LIQUIDITY RISK · continued

Additional information about the Group's liquidity risk and ILAAP is disclosed in the unaudited Risk Report 2017 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. The regulatory minimum requirement is expected to be set to 100% when implemented, a level that is already met by the NSFR ratio in the Group.

In addition to the funding ratio, the Group is also required to monitor, report and disclose Asset Encumbrance.

Asset Encumbrance as per end of 2017 is disclosed in the unaudited Risk Report 2017 and is available at www.home.saxo/about-us/icaap-and-risk-reports.

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 fulfil 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 2017, the Common equity tier 1 capital (CET1), Tier 1 capital and Total capital for the Group were DKK 2.71 billion, DKK 3.04 billion and DKK 3.40 billion, respectively, after inclusion of the total comprehensive income for the year, compared with DKK 2.30 billion, DKK 2.64 billion and DKK 3.01 billion as of 31 December 2016.

The statement of Total capital for the Group on page 42 and for Saxo Bank A/S on page 102 provides a specification of Total capital including Common equity tier 1 capital, Tier 1 capital and Tier 2 capital, and note 19 in the consolidated financial statements provides a specification of subordinated debt.

The unaudited Risk Report 2017 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.

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 were DKK 14.9 billion as of 31 December 2017 compared with DKK 15.5 billion as of 31 December 2016.

The unaudited Risk Report 2017 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 2017.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

TOTAL CAPITAL · continued

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 2017, the capital conservation buffer was set to 1.25% 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 2017 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.

ICAAP requirement

The Group must hold total capital at least equal to the current ICAAP level as determined by the Board of Directors.

The assessment of the ICAAP level is based on an internal process in which management assesses the overall risks. The ICAAP is updated by minimum quarterly as capital requirements are subject to change. The Group met the regulatory capital requirements throughout the year 2017.

The ICAAP Q4 2017 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 the degree of leverage using the Leverage Ratio. The Leverage Ratio is defined as Tier 1 capital divided by a non-risk based measure of the institution's on- and off-balance sheet items.

As of 31 December 2017, the Leverage Ratios were respectively 9.0% (2016: 7.3%) for the Bank and 7.5% (2016: 6.0%) for the Group, with both entities being above the expected minimum requirement of 3.0% once implemented.

The unaudited Risk Report 2017 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)	2017	2016	2015	2014	2013
Highlights					
Net interest, fees and commissions	1,940,025	1,529,719	1,352,561	1,204,680	956,924
Price and exchange rate adjustments	1,086,952	1,399,969	774,130	1,802,151	1,904,040
Staff costs and administrative expenses	(2,150,505)	(2,083,830)	(2,296,832)	(2,008,907)	(2,048,121)
Impairment charges loans and receivables etc.	7,826	(96,816)	(40,338)	(1,745)	(16,834)
Income from associates and joint ventures	-	-	(53,099)	(74,076)	(16,457)
Net profit	401,123	302,448	(644,639)	381,224	162,161
Loans and other receivables at amortised cost	1,686,002	1,691,487	1,793,022	1,834,306	1,956,220
Subordinated debt	351,131	529,077	674,070	542,743	807,893
Total equity	4,621,414	4,238,400	3,938,427	4,225,224	3,492,681
Total assets	39,955,551	43,578,517	33,501,563	36,008,268	27,746,196
Full-time-equivalent staff (end of year)	1,594	1,639	1,516	1,485	1,406
EBITDA					
Net profit before tax adjusted for:	554,164	418,203	(778,361)	564,758	247,367
<i>Depreciation and amortisation</i>	305,767	350,730	535,136	420,122	561,236
<i>Income from associates and joint ventures</i>	-	-	53,099	74,076	16,457
<i>Interest expenses, non-core</i>	71,697	76,220	80,745	40,081	72,971
EBITDA	931,628	845,153	(109,381)	1,099,037	898,031
<i>Impairment on loans and CVA adjustments</i>	(17,589)	80,000	802,134	124,871	253,032
<i>Divestments</i>	-	(10,253)	(15,378)	-	7,188
<i>Litigations, claims and restructuring</i>	94,527	18,176	161,487	66,647	48,307
<i>Gain on sale of claims</i>	-	-	(18,970)	(92,344)	-
<i>Other income and expenses, net</i>	17,473	21,419	44,848	9,881	16,704
Adjusted EBITDA	1,026,039	954,495	864,740	1,208,092	1,223,262

Key figures and ratios continued on page 95.

NOTES – KEY FIGURES AND RATIOS – SAXO BANK GROUP

(DKK 1,000)	2017	2016	2015	2014	2013
Key figures and ratios					
Total capital ratio	22.7%	19.5%	20.7%	19.7%	16.2%
Tier 1 capital ratio	20.4%	17.1%	17.4%	18.3%	13.3%
Return on equity before tax	12.5%	10.2%	(19.1)%	14.6%	7.2%
Return on equity after tax	9.1%	7.4%	(15.8)%	9.9%	4.7%
Income/cost ratio	122.3%	116.5%	73.1%	123.0%	109.2%
Interest rate risk	4.1%	4.3%	2.5%	2.0%	0.6%
Foreign exchange rate risk/Tier 1 capital	13.8%	20.2%	15.0%	37.6%	40.6%
Value at risk of foreign exchange rate risk/Tier 1 capital	0.1%	0.0%	0.2%	0.2%	0.2%
Loans and other receivables plus impairment allowance/ Deposits	6.5%	6.8%	8.5%	9.1%	11.7%
Loans and other receivables proportional to Total equity	0.36	0.40	0.46	0.43	0.56
Growth in loans and other receivables	(0.3)%	(5.7)%	(2.3)%	(6.2)%	11.1%
Excess liquidity coverage/liquidity requirement	444.7%	438.1%	387.1%	399.1%	316.0%
Sum of large exposures/Total capital	-	-	-	-	-
Loss and provisions ratio	(0.3)%	3.5%	1.4%	0.1%	1.1%
Return on assets	1.0%	0.7%	(1.9)%	1.1%	0.6%

See page 96 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 allowance) 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.
Excess liquidity coverage/liquidity requirement	Excess liquidity coverage is the amount of excess liquidity after fulfilment of the statutory minimum requirement (the 10% or 15% requirement in section 152 of the Danish Financial Statements Act) measured as a percentage of the statutory minimum 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 full-time-equivalent staff (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)	2017	2016
2	Interest income	1,461,243	1,138,580
3	Interest expense	(200,083)	(151,774)
	Net interest income	1,261,160	986,806
4	Fee and commission income	1,184,551	1,136,110
5	Fee and commission expense	(1,646,733)	(1,685,137)
	Net interest, fees and commissions	798,978	437,779
6	Price and exchange rate adjustments	1,072,443	1,395,413
	Operating income	1,871,421	1,833,192
7	Other income	35,419	57,087
8	Staff costs and administrative expenses	(1,369,888)	(1,295,774)
	Depreciation, amortisation and impairment of intangible and tangible assets	(294,251)	(338,062)
	Other expenses	(28,349)	(4,791)
	Impairment charges loans and receivables etc.	7,572	(25,009)
	Income from subsidiaries	280,815	170,795
	Profit before tax	502,739	397,438
9	Tax	(75,268)	(69,384)
	Net profit	427,471	328,054
	Net profit attributable to:		
	Equity method reserve	245,056	105,804
	Additional tier 1 capital holders	32,643	32,643
	Retained earnings	149,772	189,607
	Net profit	427,471	328,054

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK A/S
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2017	2016
	Net profit	427,471	328,054
	Other comprehensive income		
	Items that will not be reclassified subsequently to income statement:		
	Other comprehensive income from subsidiaries, net of tax	10,447	(20,326)
	Items that will not be reclassified subsequently to income statement	10,447	(20,326)
	Items that are or may be reclassified subsequently to income statement:		
	Exchange rate adjustments	(145,248)	(13,573)
19	Hedge of net investments in foreign entities	104,417	22,146
	Other comprehensive income from subsidiaries, net of tax	9,198	(147)
9	Tax	(21,509)	(4,892)
	Items that are or may be reclassified subsequently to income statement	(53,142)	3,534
	Total other comprehensive income	(42,695)	(16,792)
	Total comprehensive income	384,776	311,262
	Total comprehensive income attributable to:		
	Equity method reserve	202,361	89,012
	Additional tier 1 capital holders	32,643	32,643
	Retained earnings	149,772	189,607
	Total comprehensive income	384,776	311,262

STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S

AT 31 DECEMBER

Note	(DKK 1,000)	2017	2016
ASSETS			
	Cash in hand and demand deposits with central banks	703,207	4,025,912
10	Receivables from credit institutions and central banks	811,848	375,600
11,12	Loans and other receivables at amortised cost	73,758	102,261
13	Bonds at fair value	21,232,286	23,024,327
	Equities etc.	4,124	4,624
	Investments in subsidiaries	2,132,020	1,946,498
14	Intangible assets	1,608,976	1,635,863
	Tangible assets	71,015	64,891
	Tax receivables	1,782	3,142
9	Deferred tax assets	5,797	2,192
	Other assets	5,498,632	6,143,389
	Prepayments	41,280	43,591
Total assets		32,184,725	37,372,290
LIABILITIES			
15	Debt to credit institutions and central banks	5,320,643	8,888,838
16	Deposits	18,886,080	20,205,894
	Tax liabilities	34,448	51,315
	Other liabilities	2,859,451	3,374,317
Total debt		27,100,622	32,520,364
9	Deferred tax liabilities	48,688	14,169
12	Provision for guarantees	9,970	23,000
	Other provisions	90,442	88,423
Total provisions		149,100	125,592
17	Subordinated debt	351,131	529,077
18	EQUITY		
	Share capital	68,284	68,284
	Equity method reserve	428,531	225,802
	Retained earnings	3,741,009	3,557,145
Shareholders of Saxo Bank A/S		4,237,824	3,851,231
	Additional tier 1 capital	346,048	346,026
Total equity		4,583,872	4,197,257
Total liabilities and equity		32,184,725	37,372,290

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 2016	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
Net profit	-	245,056	149,772	394,828	32,643	427,471
Other comprehensive income						
Exchange rate adjustments	-	(145,248)	-	(145,248)	-	(145,248)
Hedge of net investments in foreign entities	-	104,417	-	104,417	-	104,417
Other comprehensive income from subsidiaries, net of tax	-	19,645	-	19,645	-	19,645
Tax	-	(21,509)	-	(21,509)	-	(21,509)
Total other comprehensive income	-	(42,695)	-	(42,695)	-	(42,695)
Total comprehensive income	-	202,361	149,772	352,133	32,643	384,776
Transactions with owners						
Tier 1 interest payments	-	-	-	-	(32,621)	(32,621)
Share-based payments	-	368	25,260	25,628	-	25,628
Other equity movements	-	-	1,650	1,650	-	1,650
Tax	-	-	7,182	7,182	-	7,182
Equity at 31 December 2017	68,284	428,531	3,741,009	4,237,824	346,048	4,583,872

STATEMENT OF TOTAL CAPITAL – SAXO BANK A/S

AT 31 DECEMBER

(DKK 1,000)	2017	2016
Tier 1 capital		
Total equity 1 January	3,851,231	3,550,345
Net profit	427,471	328,054
Accrued interest (dividend) on Additional tier 1 capital	(25,461)	(32,643)
Share-based payments	25,628	15,420
Total other comprehensive income	(42,695)	(16,792)
Change in Common equity tier 1 capital (CET1 capital)	1,650	(334)
Intangible assets	(1,608,976)	(1,635,863)
Deferred tax liabilities, intangible assets	95,053	83,199
Deferred tax assets	-	(16,112)
Prudent valuation adjustments	(29,112)	(2,953)
Common equity tier 1 capital (net after deduction)	2,694,789	2,272,321
Additional tier 1 capital	334,802	334,802
Total Tier 1 capital	3,029,591	2,607,123
Tier 2 capital		
Subordinated debt, new regulation	351,131	343,215
Subordinated debt, old regulation, reduced value	-	26,275
Total Tier 2 capital	351,131	369,490
Total capital	3,380,722	2,976,613
Risk exposure amounts		
Credit risk	5,844,214	5,404,426
Market risk	3,769,781	3,452,321
Operational risk	3,201,540	3,232,306
Total Risk exposure amounts	12,815,535	12,089,053
Common equity tier 1 ratio	21.0%	18.8%
Tier 1 capital ratio	23.6%	21.6%
Total capital ratio	26.4%	24.6%

Total capital is calculated in accordance with CRD IV and CRR applicable taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority.

The unaudited Risk Report 2017 provides further information on the assessment of the regulatory capital and is available at the Group's website www.home.saxo/about-us/icaap-and-risk-reports.

NOTES – SAXO BANK A/S

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 2016 due to reclassifications.

Change in accounting policy 1 January 2018

New impairment model apply from 1 January 2018. The impact in Saxo Bank A/S financial statements is the same as at Group level. The impact is disclosed in the consolidated financial statement page 51, IFRS 9 Financial Instruments.

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 company's 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.

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.

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.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2017	2016
2	Interest income		
	Credit institutions and central banks	14,919	12,548
	Loans and other receivables	91,161	81,094
	Bonds	194,502	137,645
	Derivative financial instruments	1,160,658	907,191
	Other interest income	3	102
	Total interest income	1,461,243	1,138,580
3	Interest expense		
	Credit institutions and central banks	(34,693)	(35,523)
	Deposits	(18,901)	(9,673)
	Subordinated debt	(55,480)	(60,067)
	Derivative financial instruments	(90,060)	(46,511)
	Other interest expense	(949)	-
	Total interest expense	(200,083)	(151,774)
4	Fee and commission income		
	Trading with equities and derivative financial instruments	1,184,551	1,136,110
	Total fee and commission income	1,184,551	1,136,110
5	Fee and commission expense		
	Trading with equities and derivative financial instruments	(1,646,733)	(1,685,137)
	Total fee and commission expense	(1,646,733)	(1,685,137)
6	Price and exchange rate adjustments		
	Bonds	(201,959)	(120,086)
	Foreign exchange	1,007,066	1,140,941
	Derivative financial instruments ¹⁾	267,336	374,558
	Total price and exchange rate adjustments	1,072,443	1,395,413
	¹⁾ Other than foreign exchange.		
7	Other income		
	Gain on divestments	-	18,852
	Service agreements and administrative services	32,634	32,252
	Other	2,785	5,983
	Total other income	35,419	57,087

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2017	2016
8	Staff costs and administrative expenses		
	Staff costs	(676,339)	(626,080)
	Administrative expenses	(693,549)	(669,694)
	Total staff costs and administrative expenses	(1,369,888)	(1,295,774)
	Staff costs		
	Salaries	(710,170)	(632,965)
	Share-based payments	(16,900)	(8,274)
	Defined contribution pension plans	(56,824)	(55,906)
	Social security expenses and financial services employer tax	(85,864)	(81,534)
	Staff cost transferred to software under development	193,419	152,599
	Total staff costs	(676,339)	(626,080)
	Number of full-time-equivalent staff (avg.)	1,060	940
	Remuneration to Board of Directors and the Board of Management and description on Share-based payments are disclosed in note 30 Remuneration of management and significant risk takers in the consolidated financial statements.		
	Remuneration of significant risk takers		
	Number of significant risk takers (full-time-equivalents)	13	21
	Fixed remuneration	(61,999)	(63,708)
	Variable remuneration	(12,206)	(8,245)
	Total remuneration of significant risk takers	(74,205)	(71,953)

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 30 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.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2017	2016
9	Tax		
	Reconciliation of effective tax rate		
	Profit before tax	502,739	397,438
	Tax using the Danish tax rate 22%	(110,603)	(87,436)
	Effect of tax rates in foreign jurisdictions	(4,083)	(2,284)
	CFC taxation	(12,100)	(13,055)
	Non tax-deductible expenses	(12,647)	(6,104)
	Tax-exempt income	292	1,540
	Non exempted withholding tax	(289)	(928)
	Effect of tax on income from subsidiaries	61,779	37,575
	Adjustments to tax previous years	2,383	1,308
	Total income tax recognised in income statement	(75,268)	(69,384)
	Effective tax rate	15.0%	17.5%

2017	Income statement	Other comprehensive income	Directly in equity	Total
Current tax	(51,862)	-	-	(51,862)
Changes in deferred tax for the year	(25,500)	(21,509)	7,182	(39,827)
Non exempted withholding tax	(289)	-	-	(289)
Adjustments to previous years	2,383	-	-	2,383
Total	(75,268)	(21,509)	7,182	(89,595)

2016	Income statement	Other comprehensive 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)

NOTES – SAXO BANK A/S

Note (DKK 1,000)

9 Tax - continued

Tax recognised in Other comprehensive income

2017	Before tax	Tax	Net of tax
Exchange rate adjustments	(145,248)	-	(145,248)
Hedge of net investments in foreign entities	104,417	(21,509)	82,908
Other comprehensive income from subsidiaries, net of tax	19,645	-	19,645
Total	(21,186)	(21,509)	(42,695)

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)

Deferred tax assets and deferred tax liabilities	2017	2016
Deferred tax at 1 January, net	(11,977)	(6,273)
Additions from acquisitions	-	2,590
Changes in deferred tax for the year	(25,500)	(9,365)
Deferred tax utilised in the Danish Joint taxation	-	(114)
Adjustments to previous years	(5,201)	1,084
Exchange rate adjustments	(213)	101
Deferred tax at 31 December, net	(42,891)	(11,977)

	Deferred tax assets		Deferred tax liabilities		Total deferred tax	
	2017	2016	2017	2016	2017	2016
Intangible assets	-	-	(95,053)	(83,199)	(95,053)	(83,199)
Tangible assets	-	-	18,472	24,925	18,472	24,925
Tax losses carried forward	-	-	-	16,112	-	16,112
Provisions	5,797	2,192	27,893	27,993	33,690	30,185
Total	5,797	2,192	(48,688)	(14,169)	(42,891)	(11,977)

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2017	2016
10	Receivables from credit institutions and central banks		
	Demand deposits, credit institutions	811,848	375,600
	Total receivables from credit institutions and central banks	811,848	375,600
11	Loans and other receivables at amortised cost		
	Demand deposits:		
	Trading clients	8,678	9,599
	Subsidiaries	65,080	92,662
	Total loans and other receivables at amortised cost	73,758	102,261
	Loans, other receivables and guarantees by sector and industry		
	Finance and insurance	26%	91%
	Other business	66%	3%
	Total corporate sector	92%	94%
	Private clients	8%	6%
	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	28,269	3,260
	Impairment for the year	-	25,009
	Reversals of impairment from previous years	(83)	-
	Amounts written off	(13,170)	-
	Individual impairment charges for loans, receivables and guarantees at 31 December	15,016	28,269
13	Bonds at fair value		
	Quoted on NASDAQ OMX Nordic	12,558,939	12,503,304
	Quoted on other stock exchanges	8,673,347	10,521,023
	Total bonds at fair value	21,232,286	23,024,327

NOTES – SAXO BANK A/S

Note (DKK 1,000)

14 Intangible assets

2017	Goodwill	Software under development	Software developed	Software purchased	Other	Total
Cost at 1 January	1,036,982	42,478	2,511,826	104,627	4,347	3,700,260
Additions	1,684	290,939	-	1,501	-	294,124
Transfers from internal development	-	(281,801)	281,801	-	-	-
Disposals	-	-	(510,043)	(25,355)	-	(535,398)
Exchange rate adjustments	(49,482)	-	-	(16)	-	(49,498)
Cost at 31 December	989,184	51,616	2,283,584	80,757	4,347	3,409,488
Amortisation and impairment at 1 January	(79,849)	-	(1,885,654)	(94,547)	(4,347)	(2,064,397)
Amortisation	-	-	(257,627)	(7,276)	-	(264,903)
Impairment losses ¹⁾	(6,624)	-	-	-	-	(6,624)
Disposals	-	-	510,043	25,355	-	535,398
Exchange rate adjustments	-	-	-	14	-	14
Amortisation and impairment at 31 December	(86,473)	-	(1,633,238)	(76,454)	(4,347)	(1,800,512)
Carrying amount at 31 December	902,711	51,616	650,346	4,303	-	1,608,976

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

¹⁾For details of impairment losses, see note 15 Impairment test in the consolidated financial statements.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2017	2016
15	Debt to credit institutions and central banks		
	Debt on demand	5,320,643	8,888,838
	Total debt to credit institutions and central banks	5,320,643	8,888,838
	Debt on demand include DKK 6 million (2016: DKK 134 million) placed as collateral for unrealised client trading positions as at 31 December, see note 24 Offsetting financial assets and liabilities in the consolidated financial statements.		
16	Deposits		
	Deposits on demand	18,886,080	20,205,894
	Total deposits	18,886,080	20,205,894
	Deposits on demand include DKK 2,589 million (2016: DKK 2,319 million) placed as collateral for unrealised client trading positions as at 31 December, see note 24 Offsetting financial assets and liabilities in the consolidated financial statements.		
17	Subordinated debt		
	For detailed information on subordinated debt, see note 19 Subordinated debt in the consolidated financial statements.		
18	Equity		
	As at 31 December 2017, the share capital consisted of 68,283,943 (2016: 68,283,943) shares with a nominal value of DKK 1. Holding of treasury shares is disclosed in note 21 Equity in the consolidated financial statements.		
	Tier 1 capital notes including carrying interests included in equity amounts to DKK 346 million (2016: DKK 346 million).		
19	Hedge accounting		
	Saxo Bank A/S 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. Saxo Bank A/S does not hedge the entities' expected income or future transactions.		
	At 31 December 2017 the fair value of the hedging instrument amounted to DKK 1,496 million (2016: DKK 1,389 million). The corresponding carrying amount of net investments hedged amounted to DKK 1,478 million (2016: DKK 1,398 million).		

NOTES – SAXO BANK A/S

Note (DKK 1,000)

20 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2017 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-1250 Copenhagen, Denmark.
 TPG Merl Sarl, L-2453, Luxembourg.
 Gold Shine Investment Holding Pte. Ltd., S-048616, Singapore.

(DKK million)	Board of Directors and Board of Management		Parties with significant influence ¹⁾		Subsidiaries	
	2017	2016	2017	2016	2017	2016
Loans and other receivables at amortised cost	-	-	-	-	65.1	91.6
Deposits (liabilities)	0.3	0.1	11.4	0.7	3,532.1	3,642.1
Trading assets	-	-	-	-	295.0	447.0
Other assets	-	-	-	-	31.2	30.5
Other liabilities	-	-	-	-	8.9	5.4
Interest income	-	-	-	-	22.7	57.4
Fee and commission income	-	-	-	-	1.4	1.1
Fee and commission expense	-	-	-	-	825.4	841.3
Other services (income)	-	-	-	-	33.3	32.2
Other services (expense)	0.1	0.8	17.0	14.3	0.3	3.5
Client support services	-	-	-	-	45.4	61.2
Leases	-	-	-	-	41.4	40.5
Subleases	-	-	-	-	1.5	1.5
Software development	-	-	-	-	6.4	22.3
Impairment on guarantees	-	-	-	-	-	23.0
Dividend from subsidiaries	-	-	-	-	35.8	70.7
Capital increases	-	-	-	-	22.5	24.7

¹⁾ Relates to parties not already disclosed as part of the Board of Management.

Remuneration to Board of Directors and Board of Management is disclosed in note 30 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.

NOTES – SAXO BANK A/S

Note (DKK 1,000)

21 Activities by country

Under the Danish executive order, a financial institution must disclose, by country in which it operates through a subsidiary or a branch, information about income, number of employees, profit before tax, tax and public subsidies received. The Group has not received any public subsidies that relate to the Group's activities as a financial institution.

Entity	Activity	2017			
		Income ¹⁾	Profit before tax	Tax on profit	Full-time-equivalent staff
Australia	Trading and investment	115,244	33,499	(10,139)	9
Brazil	Trading and investment	14,877	1,947	(660)	2
China	Sales and marketing	8,548	385	(8)	12
Cyprus	Sales and marketing	34,675	2,927	(1,195)	-
Czech Republic	Sales and marketing	26,811	2,436	(560)	29
Denmark	Retail banking and other activities ²⁾	381,539	9,378	(6,250)	202
Dubai	Trading and investment	9,006	743	-	9
France	Trading and investment	83,640	12,266	(4,872)	28
Hong Kong	Trading and investment	38,212	12,882	(1,788)	8
India	IT-development	132,481	25,150	(12,751)	499
Italy	Sales and marketing	11,442	2,473	(1,161)	4
Japan	Trading and investment	42,159	11,210	(3,491)	16
Netherlands	Sales and marketing	11,533	635	(146)	5
Panama	Trading and investment	-	(214)	-	-
Poland	Sales and marketing	2	(277)	4	-
Singapore	Trading and investment	248,347	106,417	(13,910)	78
South Africa	Trading and investment	66,398	30,062	(8,417)	14
Switzerland	Trading and investment	229,390	42,858	(9,493)	46
Turkey	Trading and investment	13,164	(2,330)	(337)	9
UK	Sales and marketing, trading and investment	285,000	51,834	(10,440)	78

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

²⁾Other activities include management of domicile property, payment services and asset management.

Note 31 in the consolidated financial statements provides information on the company names of the Group's significant subsidiaries.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2017	2016
22	Contingent and other contractual commitments		
	Guarantees		
	Financial guarantees	182,594	139,339
	Guarantees issued to subsidiaries	22,203	27,000
	Other guarantees	8,380	7,287
	Total guarantees	213,177	173,626
	Other contractual commitments		
	Rent commitments towards subsidiaries	429,971	467,571
	Other contractual commitments incl. operating leases	224,960	176,105
	Total other contractual commitments	654,931	643,676

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.

23 Assets deposited as collateral

Of the Bank's bond holdings, bonds with a nominal value of DKK 4.1 billion (2016: DKK 4.8 billion), and a fair value of DKK 4.1 billion (2016: DKK 4.8 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 2017, 19% (2016: 21%) 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 224.5 million (2016: DKK 105.8 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.

24 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 2017 can be terminated on demand.

Market and credit risk related to derivative financial instruments is disclosed in Risk Management and in note 24 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 2017 provide additional information about Saxo Bank A/S' risk management approach. Risk Report 2017 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.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2017	2016	2015	2014	2013
25	Key figures and ratios					
	Highlights					
	Net interest, fees and commissions	798,978	437,779	235,459	115,772	(93,018)
	Price and exchange rate adjustments	1,072,443	1,395,413	1,029,692	1,752,589	1,887,130
	Staff costs and administrative expenses	(1,369,888)	(1,295,774)	(1,527,141)	(1,323,609)	(1,392,763)
	Impairment charges loans and receivables etc.	7,572	(25,009)	(828)	13,347	(1,572)
	Income from subsidiaries, associates and joint ventures	280,815	170,795	(46,820)	246,580	239,350
	Net profit	427,471	328,054	(623,264)	399,722	151,902
	Loans and other receivables at amortised cost	73,758	102,261	38,565	75,484	351,926
	Subordinated debt	351,131	529,077	674,070	335,133	410,300
	Total equity	4,583,872	4,197,257	3,896,429	4,198,863	3,458,012
	Total assets	32,184,725	37,372,290	27,965,236	30,200,852	22,004,376
	Key figures and ratios					
	Total capital ratio	26.4%	24.6%	26.7%	22.1%	18.0%
	Tier 1 capital ratio	23.6%	21.6%	22.4%	20.5%	15.1%
	Return on equity before tax	11.5%	9.8%	(19.1)%	13.0%	5.7%
	Return on equity after tax	9.7%	8.1%	(15.4)%	10.4%	4.5%
	Income/cost ratio	129.8%	123.9%	62.3%	129.0%	110.0%
	Interest rate risk	4.2%	4.8%	3.0%	2.9%	2.0%
	Foreign exchange rate risk/Tier 1 capital	12.8%	16.5%	9.6%	37.0%	38.2%
	Value at risk of foreign exchange rate risk/Tier 1 capital	0.1%	0.1%	0.2%	0.2%	0.2%
	Loans and other receivables plus impairment allowance/ Deposits	0.5%	0.6%	0.3%	0.5%	3.4%
	Loans and other receivables proportional to total equity	0.02	0.02	0.01	0.02	0.10
	Growth in loans and advances	(27.9)%	165.2%	(48.9)%	(78.6)%	(28.1)%
	Excess liquidity coverage/liquidity requirement	405.8%	415.2%	354.3%	345.1%	255.8%
	Sum of large exposures/Total capital	-	-	-	-	-
	Loss and provisions ratio	(2.5)%	8.2%	0.3%	(17.2)%	0.3%
	Return on assets	1.3%	0.9%	(2.2)%	1.3%	0.7%

See page 96 for definitions.

STATEMENTS AND REPORTS

STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management have considered and approved the Annual Report for the financial year 2017 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 2017 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 2017.

Moreover, in our opinion, the Review of 2017 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 2017 Annual Report is submitted for the approval of the Annual General Meeting.

Copenhagen, 22 February 2018

BOARD OF MANAGEMENT

Kim Fournais
CEO and Co-founder

Søren Kyhl
Group Chief Operating Officer

Steen Blaafoak
Group Chief Financial and Risk Officer

BOARD OF DIRECTORS

Henrik Normann
Chairman

Asiff S. Hirji

Wikawi Oei

Jacob Polny

Thomas Plenborg

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SAXO BANK A/S

Opinion

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 2017, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of total capital and notes, including accounting policies, for the Group and the Parent Company and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and the financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Saxo Bank A/S on November 28 1995 for the financial year 1995. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 22 years up until the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2017. These matters were addressed during our audit of the consolidated financial statements and the parent company financial statements as

INDEPENDENT AUDITORS' REPORT

a whole and in forming our opinion thereon. 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 our responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures 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 consolidated financial statements and the parent company financial statements.

Trading assets and liabilities - valuation and revenue recognition of derivative financial instruments

• **Risk assessment:** Trading assets and liabilities include derivative financial instruments of DKK 5,360 million (assets) and DKK 2,520 million (liabilities) respectively as at 31 December 2017, which are measured at fair value, corresponding to 13% of total assets and 6% of total liabilities. 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 904 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, eco-

INDEPENDENT AUDITORS' REPORT

conomic 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 15.

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 1,677 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 2017, 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 the Management's review consisting of Review of 2017 and the Business of Saxo Bank, page 5-35.

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

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the 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 misstatement of the Management's review.

INDEPENDENT AUDITORS' REPORT

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and the parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act. Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of 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 financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the consolidated financial statements and the parent company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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.
- 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

INDEPENDENT AUDITORS' REPORT

the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent 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 note 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 and the parent company 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 to communicate with 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 financial statements for 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, 22 February 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
MNE no. 28632

Thomas Hjortkjær Petersen
State Authorised Public Accountant
MNE no. 33748

COMPANY INFORMATION

BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

Saxo Bank A/S' Board of Directors currently consists of five members; three members elected by the general meeting and of two directors appointed by TPG Merl S.à.r.l. Moreover, TPG Merl S.à.r.l. has appointed one alternate director. The members of the Board of Directors elected by the general meeting, and the members appointed by TPG Merl S.à.r.l., are elected or appointed for a one year term. Re-election and re-appointment may take place.

The Board of Management is not a part of the Board but participates in the Board meetings. It is the Board's belief that the size and composition of the Board is appropriate for achieving a constructive debate and efficient decision making. It is important for the Board of Directors that each member has the sufficient knowledge, professional competences and experience to be able to carry out the duties and responsibilities of his position as member of the Board in Saxo Bank A/S. Moreover, the members of the Board of Directors must set aside sufficient time to carry out hers or his duties and responsibilities as a member of Board of Directors in Saxo Bank A/S.

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)
Fournais Aviation ApS (CEO)
Vejrø ApS (CM)

Søren Kyhl – Group Chief Operating Officer

Søren Kyhl Holding ApS (CEO)

Steen Blaafalk – Group Chief Financial and Risk Officer

Blue Falcon Holding ApS (CEO)
Falcon Future ApS (CEO)
Momentum Gruppen A/S (CM)
Adept Water Technologies A/S (BM)

BOARD OF DIRECTORS

Henrik Normann – Chairman

Nordic Investment Bank (President & CEO)
Nordsøfonden (CM)
Syfoglomad Limited (CM)
Investeringsforeningen Maj Invest (CM)

Asiff S. Hirji – Member of the Board

Coinbase (President & Chief Operating Officer)
Inflektion LLC (Founder)
Eze Software Group (BM)
TES Global (BM)
RentPath (BM)

Jacob Polny – Member of the Board

Winston Churchill Memorial Trust (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)

Wikawi Oei – Member of the Board

Sinar Mas Technology (CEO)
Ningbo Commerce Bank (BM)
Nanjing Zijin Capital Fund (Partner)
Sinar Mas Group (Directorship)

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