2019

SAXO BANK

ANNUAL REPORT
2019

SAXO BANK

SAXO BANK GROUP AT A GLANCE

The Saxo Bank Group is a facilitator providing access to global capital markets and products for clients through a truly scalable technology infrastructure supporting traders, investors and wholesale clients.

The Saxo Bank Group connects clients to investment opportunities in global capital markets, by delivering intuitive and sophisticated multi-asset trading, investment and risk tools to private clients as well as open banking solutions to wholesale partners.

As set out in the Saxo Foundation, the Saxo Bank Group exists to empower everyone to navigate their financial future by providing access to trading and investment, making it more transparent and less costly for everyone. Committed to building win-win relationships, the Saxo Bank Group believes everyone deserves the opportunity to understand and access the financial markets. All innovation and development at the Saxo Bank Group is designed to inform, educate and empower clients, traders and investors.

Investment decisions define everyone's ability to pursue their own and their family's dreams which is why making sense of financial markets is too important to be a privilege that belongs exclusively to a few individuals or institutions with specific financial expertise.

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. Today, the Saxo Bank Group offers its own direct clients in more than 170 countries unparalleled access to trading and investment opportunities in global capital markets across asset classes.

At the same time, the Saxo Bank Group also services more than 100 financial institutions as partners, leveraging the Saxo Bank Group's technology to efficiently give their clients a state-of-the art investment experience. The Saxo Bank Group delivers Banking-as-a-Service (BaaS), supporting the entire value chain of global capital markets investing, to wide range of wholesale partners.

23 languages

SAXO BANK

More than **525,000** clients

34.4 million trades executed in 2019

Clients spanning over **170** countries

More than **100** industry awards for our trading platforms

More than **40,000** tradable instruments

2,170 employees with **64** nationalities across offices in **17** countries

CONTENTS

MANAGEMENT REPORT

Financial highlights	**5**
Strategic direction	**7**
The business of Saxo Bank Group	**10**
Awards	**11**
Operational review	**12**
The Saxo Bank Group's business model	**13**
Social contribution	**16**
Financial review	**22**
Regulatory environment	**28**
Capital management	**32**
Risk factors	**34**

SAXO BANK GROUP FINANCIAL STATEMENTS

Contents financial statements	**37**
Income statement	**38**
Statement of comprehensive income	**39**
Statement of financial position	**40**
Statement of changes in equity	**41**
Statement of total capital	**42**
Cash flow statement	**43**
Notes	**44**

SAXO BANK A/S FINANCIAL STATEMENTS **108**

STATEMENTS AND REPORTS

Statement by the Management	**131**
Independent Auditors' Report	**132**

COMPANY INFORMATION

Board of Directors and Board of Management	**139**
Addresses	**140**

CURRENT THEMES

BinckBank N.V.	**8-9**
Platform improvements	**14-15**
How the Saxo Bank Group supports its partners	**20-21**
Sustainable investments	**26-27**

MANAGEMENT REPORT

FINANCIAL HIGHLIGHTS

Saxo Bank Group reported a net profit of DKK 40 million for 2019 compared to DKK 963 million for 2018. Operating income for Saxo Bank Group amounted to DKK 2,611 million in 2019 compared to DKK 2,786 million in 2018, corresponding to a decrease of 6%. BinckBank N.V. is included in the reporting from beginning of August 2019.

The Board of Directors and Board of Management find the result for the year unsatisfactory. The result is affected by difficult market conditions during 2019, with all-time low volatility across most financial markets and continued negative interest rates in many markets. In addition to the external market environment, the result is negatively impacted by the significant price reductions across asset classes that Saxo Bank Group has implemented through 2019. The price reductions were implemented to position Saxo Bank Group in the market, enabling future growth. Also, the result is impacted by the continued high level of investments in platforms and growth opportunities, including partner investments.

Throughout 2019 several cost and efficiency savings initiatives were initiated in the Saxo Bank Group to reduce cost and complexity and partly off-set the decrease in the operating income, while at the same time ensuring that the Group continues to deliver on the strategy execution plan by investing in technology and digitalisation. As a part of this, Saxo Bank Group decided to adjust the organisation in November 2019 and reduce the number of employees by 65, of which 27 were employed in the headquarter in Denmark. Furthermore, in February 2020 a redundancy plan applying to 87 positions at the BinckBank office in Amsterdam was effectuated. The cost/income ratio for Saxo Bank Group increased to 96.7% from 71.3% in 2018.

2019 has also been a constructive year positioning Saxo Bank Group well for the future. The main achievement was the acquisition of BinckBank N.V. in August 2019 adding a significant number of clients and clients' assets to the Saxo Bank Group. This, combined with continued record high organic inflow of clients' assets resulted in total clients' assets reached a record high of DKK 375 billion by the end of 2019, an increase of 234%.

The organic inflow of new direct trading clients also continued to rise with 33,578 new clients as of December 2019

FINANCIAL HIGHLIGHTS · SAXO BANK GROUP

(DKK million)	2019	2018	2017	2016	2015
Operating income	2,611	2,786	3,027	2,930	2,127
EBITDA	822	1,408	932	845	(109)
Profit before tax	109	1,029	554	418	(778)
Net profit	40	963	401	302	(645)
Total equity	7,082	5,552	4,621	4,238	3,938
Total assets	74,930	34,484	39,956	43,579	33,502
Clients' assets	375,495	112,578	103,622	92,350	77,568
Assets under Management	8,480	-	12,524	13,314	14,217
Total capital ratio	32.9%	35.0%	22.7%	19.5%	20.7%
Return on equity before tax	1.7%	20.2%	12.5%	10.2%	-19.1%
Full-time-equivalent staff (end of year)	2,170	1,658	1,594	1,639	1,516
Hereof employed in India	626	584	499	462	346

See definitions on page 106.

(excluding BinckBank N.V.), which is an increase of 56% over 2018 and new wholesale end clients increased by 42,317 as of December 2019 compared to 40,687 in 2018. The number of total end clients ended at record high levels of 235,000 for Saxo Bank Group excluding BinckBank N.V. Additionally, BinckBank N.V. has more than 290,000[1] end clients, implying that Saxo Bank Group has strengthened its market position further during 2019 and successfully laid the foundation for future growth.

Furthermore, Saxo Bank Group has entered into a tech joint venture with Geely Sweden Holdings AB, to provide financial and regulatory technology solutions to financial institutions in China such as banks and fintechs. The ownership structure of the joint venture are an equal fifty percent split between Saxo Bank Group and Geely Sweden Holdings AB. Through this agreement, Saxo Bank Group significantly builds its presence in the Chinese market, which is an integral part of Saxo Bank Group's long term strategy. Saxo Bank Group has injected technology and IP rights for use in China into the joint venture, while Geely Sweden Holdings AB supports with financial investments and local know-how. The disposal to Saxo Geely Tech Holding A/S affects Other income positively with DKK 638 million in 2019.

In 2019, Saxo Bank Group also further developed the partnership with Banca Generali S.p.A. to offer best-in-class online trading, investment and digital service to self-directed Italian clients, as well as to existing private clients through financial advisors. As part of this expansion, and in line with expectations, Saxo Bank Group has sold 19.9% of the shares in BG Saxo SIM S.p.A. to Banca Generali S.p.A.

Saxo Bank Group also continued the record high investments in technology and digitisation by DKK 566 million, representing a continued year-on-year increase from DKK 312 million in 2017 and DKK 438 million in 2018. Among other things Saxo Bank Group has during 2019 improved the digital and automated trading and investment service, SaxoSelect, by continuously adding products and released a re-design of SaxoTraderGO and SaxoTraderPRO - securing Saxo Bank Group a highly competitive market position with attractive prices and continuing to offer the best combination of products, platforms and service to the Saxo Bank Group's clients.

As part of acquiring BinckBank N.V., current main shareholders made a capital increase in Saxo Bank A/S of EUR 132 million. Furthermore, Saxo Bank A/S has issued EUR 100 million tier 2 subordinated debt in July and in November 2019, Saxo Bank A/S has issued EUR 60 million additional tier 1 capital notes. Both the tier 2 issue in July 2019 and the additional tier 1 issue in November 2019 was well received in the market with a significant oversubscription, resulting in a very strong and well diversified investor base, and improved pricing for the Saxo Bank Group. These new issuances refinance existing EUR 45 million additional tier 1 capital notes redeemed at first possible call in February 2020 and EUR 50 million tier 2 subordinated debt redeemed at first possible call in April 2020 which is approved by the Danish FSA. The tier 2 subordinated notes and the additional tier 1 capital from 2019 are listed on Euronext Dublin.

The additional tier 1 capital is accounted for as a part of the Saxo Bank Group's equity.

The capital position of Saxo Bank Group remained strong even though the total capital ratio for the Saxo Bank Group decreased slightly to 32.9% as of end 2019 from 35.0% at the end of 2018, retaining a comfortable buffer compared to the capital requirement. The CET1 buffer was DKK 2.3 billion, equivalent to 13.9% of the risk exposure amounts.

[1] A client is defined as having funds available for investment.

STRATEGIC DIRECTION

Our aim is to empower everyone to navigate their financial future by providing access to trading and investment, by making it more transparent and less costly. Saxo Bank Group continues to focus on delivering the best Saxo Experience to clients and scaling the business. The Saxo Bank Group's commitment to be best in class in client experience means: personalised, timely and relevant engagement, intuitive and price-competitive solutions, opportunities for diversification in a transparent manner to build the best portfolios.

The Saxo Bank Group's three strategic priorities are:

- Fully digitalise the entire value chain whereby the Saxo Bank Group can provide a world class Saxo Experience in a scalable way, exemplified by a smooth and efficient client onboarding and intuitive client engagement where clients may invest in themes and sectors they believe in, while providing full transparency on their portfolio's risk profile. When digitalising, the bank expects to benefit from scalability and reduced cost and complexity.

- Create a world class sales and service organisation where the Saxo Bank Group is digital and platform first and engages with the Group's top tier clients through relationship managers and partners in our local offices.

- Industrialise the SaxoSolutions (wholesale) to offer the best cloud-native, open banking solution and be the preferred partner globally for capital markets trading and investing.

In 2019, the Saxo Bank Group executed a number of key initiatives, including: forming a new organisation focusing on the Saxo Experience, acquiring BinckBank N.V. with EUR 29 billion in client assets, and entering into a unique agreement to form a joint venture with the Geely Group to service the Mainland China market with the Saxo Bank Group's state of the art technology.

The short to medium term commercial priorities reflect the strategy where the Saxo Bank Group aims to activate and engage all self-directed clients through improved digital engagement, including those serviced through partners, while constantly improving the Saxo Experience. The Saxo Bank Group also aims to better guide clients in building more resilient portfolios through the right asset management products, such as SaxoSelect. This will result in a shift towards more recurring revenue streams for Saxo and its wholesale partners. Lastly, the Saxo Bank Group wishes to ensure its client relationships are win-win, where all client segments have a balanced cost/income ratio that works for both the client and for the Saxo Bank Group.

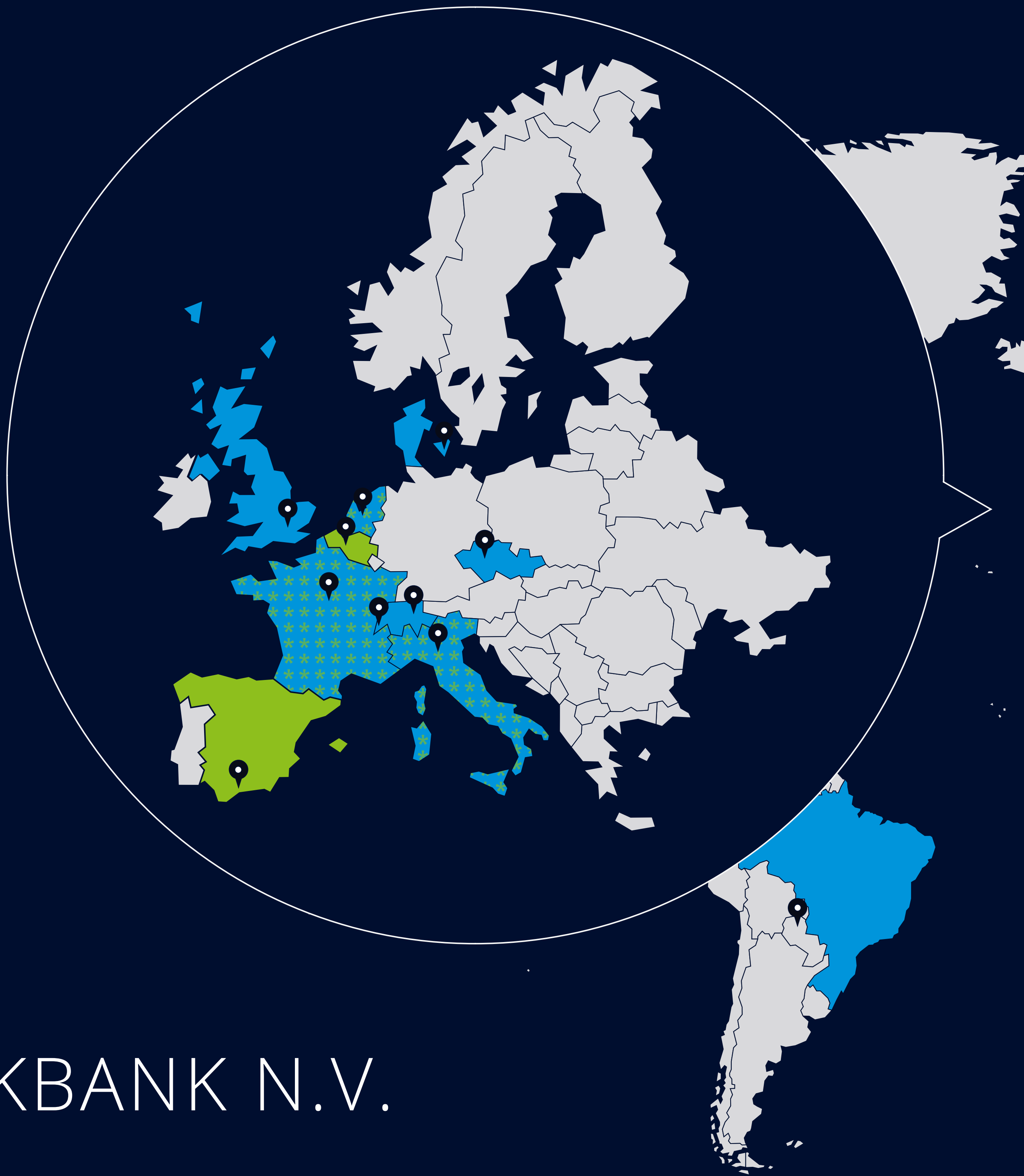
Clients and Engagement

The Saxo Bank Group aims to be the preferred partner of traders, investors and wholesale clients and it is the Group's strategy to focus on delivering a world class digital experience for all clients that is digital and platform first. For VIP clients, being both traders and investors, the Saxo Bank Group offers an enhanced service through a dedicated personal sales and service team located in 19 offices around the world.

Traders: Direct trader clients are B2B or B2C and seek to trade actively at competitive prices. Traders prefer using the sophisticated trading tools and data delivered by the Saxo Bank Group through the SaxoTraderPRO or SaxoTraderGO platforms.

Investors: Direct investor clients are B2B or B2C and generally have a long-term investment horizon, focusing on cash products and use a mix of the self-directed investing and discretionary portfolio management services that the Saxo Bank Group delivers through SaxoInvestor or SaxoTraderGO platforms.

Partners (SaxoSolutions, Wholesale): Wholesale partners utilise the Group's services and technology to support their value chain (Banking-as-a-Service) and service their clients, i.e. B2B2B or B2B2C. Today, the Saxo Bank Group supports and services more than 100 partners such as banks, brokers, fintechs, roboadvisers and challenger banks through all platforms such as SaxoTraderPRO, SaxoTraderGO and SaxoInvestor including Open API and FIX API.



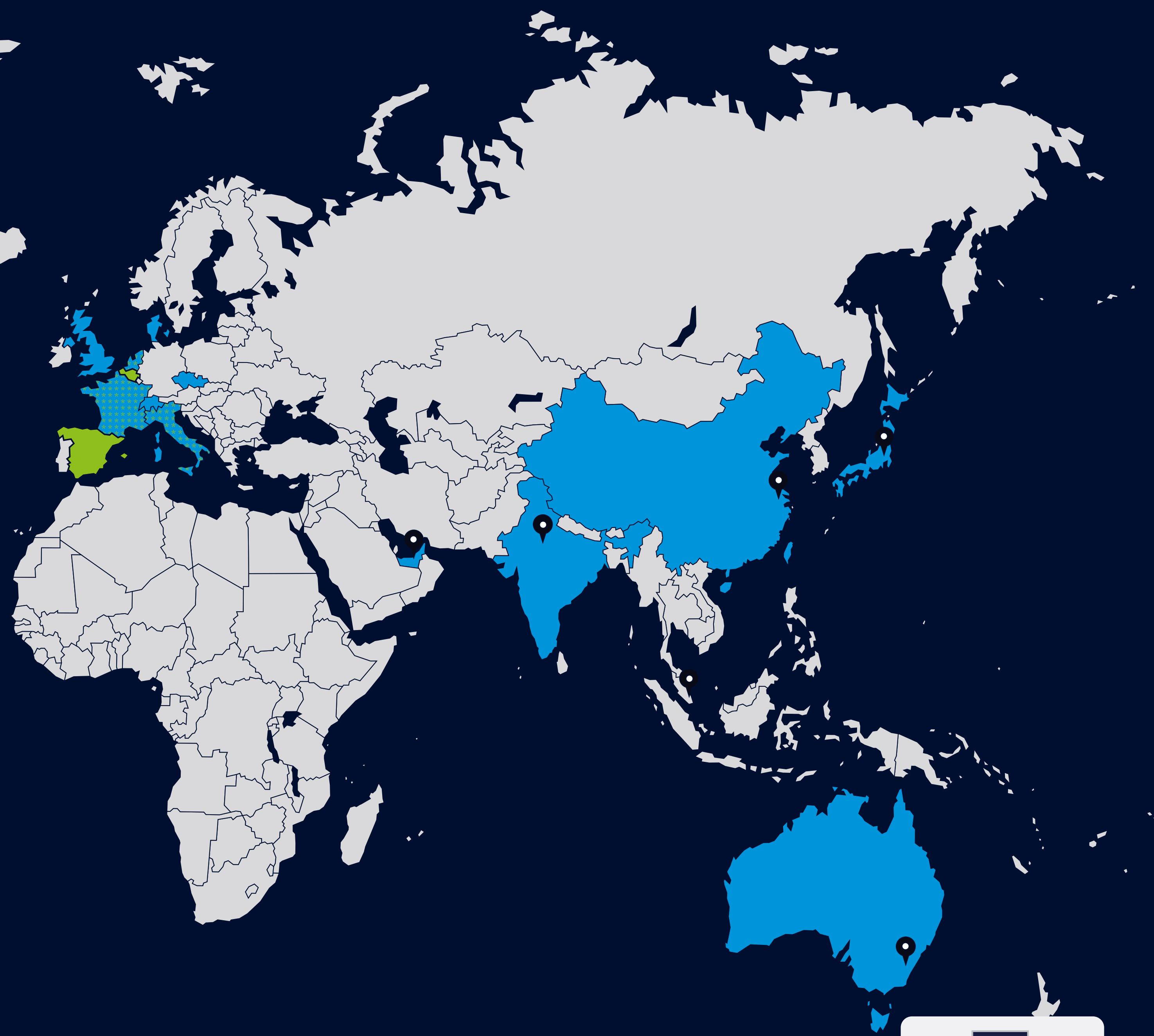
BINCKBANK N.V.

In August 2019, the Saxo Bank Group's acquisition of Dutch BinckBank N.V. was completed, marking a significant milestone for the Saxo Bank Group and increasing the client base significantly to more than 525,000 clients and around EUR 50 billion in client assets. With a strong, complementarity client base, geographical footprint and talent, the integration of BinckBank N.V. in the Saxo Bank Group is well underway.

The aim of the integration is to be able to service BinckBank clients with the Saxo Bank Group's technology foundation and platforms. To be able to do so, a number of product and services will be added to the Saxo Bank Group's technology platforms and the commitment to clients is clear: by joining forces, the Saxo Bank Group and BinckBank will work to make the sum larger than the whole of the parts and offer an even better client experience with better platforms, products and services. This will further benefit Saxo Bank's existing direct and partner clients as they will naturally experience an uplift in client experience.

A stronger combined entity

Saxo Bank / BinckBank · Saxo Bank · BinckBank



	SAXO BANK	BINCK*BANK	SAXO BANK BINCK*BANK
Traders	✓	✓	✓
Investors	✓	✓	✓
Wholesale	✓	✓	✓
Core pedigrees	Core technology	Customer focus	21st century global fintech

THE BUSINESS OF SAXO BANK GROUP

DIRECT BUSINESS

2019 marked another record in the number of new clients with 43,775 new clients, including BinckBank N.V. from August, choosing to start trading and investing with the Saxo Bank Group. For Saxo Bank Group, excluding BinckBank N.V., this is an improvement of 56% over 2018, the previous record year. This increase is a testament to the strength of the Saxo Bank Group's continued improvements in a combination of platform, price and service.

Continuing our dedication and investments to deliver better solutions to our clients, we have launched a number of specific initiatives:

- Improved digital onboarding: Becoming a client at Saxo Bank Group needs to be hassle free with automated sign-up. The Group now delivers the full onboarding value chain and allows clients to digitally onboard within minutes with particular improvements in UK and France during the course of 2019.

- Improved user journeys: Instant demo of platforms offering potential clients quick access to see what the Saxo Bank Group can do to support their investment and trading needs. To engage better with more clients, daily Morning Calls with SaxoStrats went live on home.saxo and leveraging AI, individualised alerts has been added for different events (e.g. big price moves, calendar events etc.)

- Improved client engagement: Launch of new updated research pages across asset classes to help clients navigate markets better, understand the risk around their current holdings and look for inspiration for their next trade.

Crucially for both new and existing clients, there is a continued very positive uptake in referrals. The Saxo Bank Group has chosen to reward this very positive engagement from the clients, and are proud to have welcomed 5,550 clients in 2019 that were referred by other clients.

PARTNER BUSINESS (SAXOSOLUTIONS, WHOLESALE)

The Saxo Bank Group offers partners such as banks, brokers and fintechs the opportunity to leverage the Saxo Bank Group's open architecture and capital markets infrastructure to deliver a state-of-the-art digital experience to their clients (B2B2C and B2B2B).

The financial sector is undergoing significant changes and challenges with higher expectations for digital client experience, new compliance requirements, margin compression, continued drive for cost optimisation and resource allocation. In this environment, the Saxo Bank Group offers a compelling value proposition to it is partners, that can leverage the Group's infrastructure and deliver a better experience to clients while reducing cost and complexity.

As a testament to this value proposition, the Saxo Bank Group in 2019 went live with a number of exciting new partnerships ranging from traditional banks to new market entrants. Some notable partnerships are Mandatum in Finland, CIMB Securities in Singapore, Banca Generali in Italy, Portfolio Personal in Argentina and some of the new challengers in Denmark like Lunar Bank.

An important focus area is growing and developing the business with our existing partners. The Saxo Bank Group continuously adds new products and multi-asset capabilities to existing partners and build out the mutual fund offering, as well as improving the operational efficiency, for example through digital onboarding.

The Saxo Bank Group's Open API continues to be an integral part of the offering and is growing in relevance for both existing and new partners, as it allows for a flexible integration of the Saxo platforms and services. During the course of 2019, the number of trades through Open API was 1.6 million representing 18% of the total number of wholesale business trades in for the Saxo Bank Group in 2019.

AWARDS

The Saxo Bank Group continued its award-winning streak in 2019, cementing its position as an industry leader delivering superior product, price, platform and services. In 2019, the Saxo Bank Group won 7 leading industry awards for its products, platforms, technologies and services, including the prestigious "Broker of the year" award from the Danish Shareholders Association.

SAXO BANK
WINNER IN THE CATEGORY OF
BEST B2B LIQUIDITY PROVIDER (PRIME of Prime)
FMLS LONDON SUMMIT 2019

2019
Årets Børsmægler
Dansk Aktionærforening

WINNER 2019
Best Platform for the Active Trader
ADVFN International Financial Awards

SAXO BANK
WINNER IN THE CATEGORY OF
BEST RETAIL FX BROKER
FMLS LONDON SUMMIT 2019

HFM
ASIA SERVICES
AWARDS 2019
Winner
Best boutique prime broker
Saxo Markets

HFM
EUROPEAN
HEDGE FUND SERVICES
AWARDS 2019
Winner

HFMWeek
Asia Hedge Fund
Awards 2019
Winner
Best boutique prime broker
Saxo Capital Markets

OPERATIONAL REVIEW

PRODUCT DEVELOPMENT

In January, the Saxo Bank Group was one of the first Danish banks to launch the new "Aktiesparekonto" (a reduced tax investment scheme) to its clients. A testament to the strength of the Saxo Bank Group's investor offering, media reports show that the Saxo Bank Group not only delivers the most price competitive service but also managed to onboard more "Aktiesparekonti" than any other Danish bank.

In March, the Saxo Bank Group continued the roll-out of the SaxoInvestor platform in Singapore with reduced prices on local instruments and a collaboration with local mutual funds providers. The popularity of the Investor platform in Singapore has continued to grow beyond the initial launch phase.

Also, in March, the Saxo Bank Group launched fully digital access to Chinese bonds via the Hong Kong-based Bond Connect. The launch of mainland China bonds further strengthened the Saxo Bank Group's position as a gateway to China for international investors which also includes unique access to China A-shares listed on the Shanghai and Shenzhen stock exchanges.

In April, the Saxo Bank Group and Brown Advisory, a leading global investment manager with a long history in sustainable investing, announced a collaboration to offer a portfolio of ethical stocks through the fully digital and automated trading and investment service, SaxoSelect. The Saxo Bank Group is the first to offer retail clients outside of the U.S. access to invest in Brown Advisory's Ethical Selection portfolio that offers an attractive and cost-effective way to invest in a sustainable, all-cap, 30-40 stock portfolio comprising of U.S. listed companies.

In May, the Saxo Bank Group introduced CME's new Micro E-mini futures on the S&P 500, Nasdaq-100 and Russell 2000 indices. At one tenth of the size of their classic E-mini counterparts, Micro Emini futures are accessible to a broader audience. The Micro E-mini futures supplement the existing CFD offering which efficiently enables clients to hedge portfolio risk or express views on market direction - both long and short - in a broad range of indices. The contracts started trading on 6 May and are available for all clients who are qualified for futures trading.

In September, the Saxo Bank Group launched Margin Lending to clients in Hong Kong. Margin lending is a loan offering that allows clients in Hong Kong to buy cash securities against the collateral value of the securities. The fully digital solution include client credit assessment, lending overview and stop out processes.

In November, the Saxo Bank Group released a complete re-design of the SaxoSelect client journey. The new design and functionality is available in SaxoTraderGO and SaxoInvestor. The new design offers better guidance to the clients and clients are directed towards suitable portfolios based on their profile, giving them a personalized journey. Also as a new feature, fractional ETFs are now available for SaxoSelect and Saxo Portfolio Manager, consequently ETFs can be traded in unit sizes of 0.01. With this feature, clients will be able to mirror the performance of the re-balanced portfolios more precisely and cheaper. Furthermore, clients will be able to invest smaller amounts in ETF portfolios, which will open the SaxoSelect products up to a wider audience.

In December, the Saxo Bank Group went live with a completely new solution for independent financial advisors. The solution has been developed specifically for the BG Saxo Joint Venture in Italy, servicing the needs of independent financial advisors, including preparation of trade recommendations, enhanced compliance checks, order parking, digital client approval and automatic order activation.

THE SAXO BANK GROUP'S BUSINESS MODEL

The Saxo Bank Group is a facilitator providing access to global capital markets and products for clients through a truly scalable technology infrastructure supporting traders, investors and wholesale clients. The Saxo Bank Group's business model is based on unbundling the value chain through an open architecture sourcing the best products, liquidity, content and services from the best providers in the market.

Liquidity provisioning

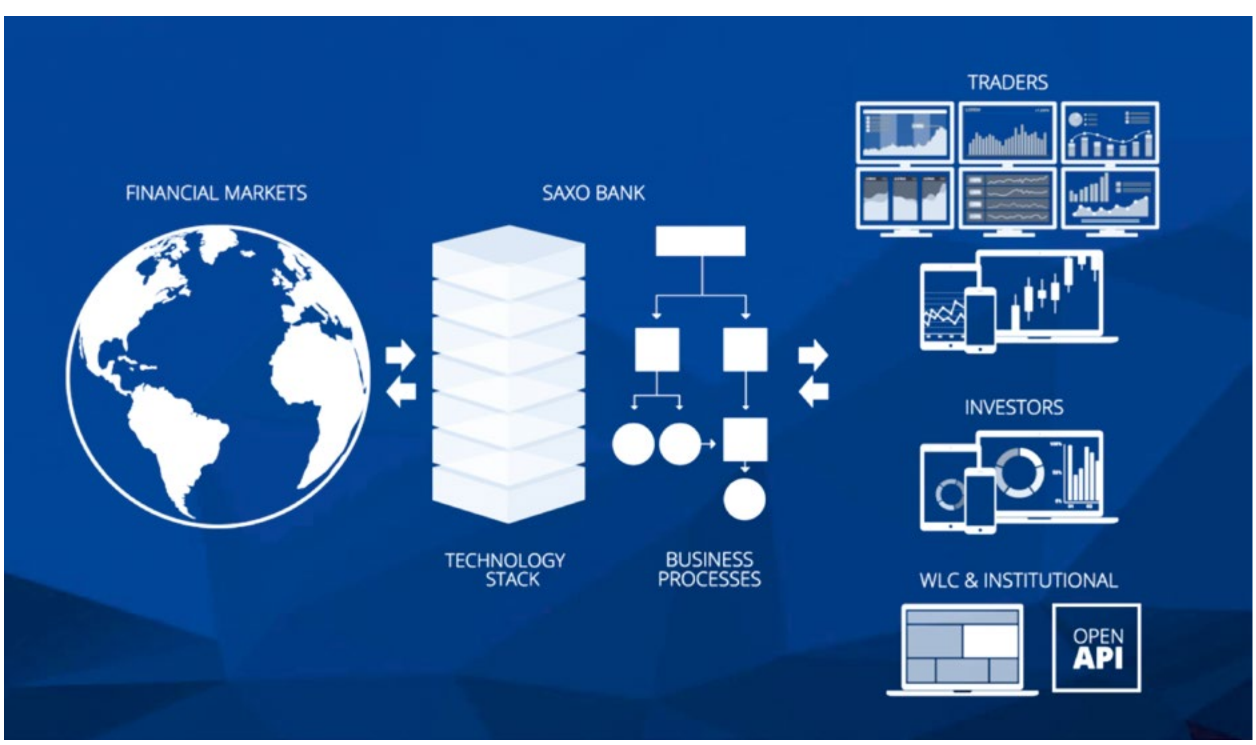
The Saxo Bank Group obtains capital market liquidity from more than 150 different liquidity venues including 20 large global banks as well as the world's major trading venues and exchanges. By aggregating liquidity from multiple sources, the Saxo Bank Group is able to stream competitive prices and spreads to its clients, and deal with the flow of transactions in a cost-effective way. Efficient execution and risk management are core competencies of the Saxo Bank Group.

Products

Through the platforms, clients can trade more than 40,000 instruments across bonds, mutual funds, stocks, ETF's, CFD's, futures, options and FX from a single account. Clients also get free access to a large universe of fundamental research and technical trade signals integrated directly in the platform for easy access.

Client interfaces

To facilitate its clients' trading and investment needs, the Saxo Bank Group has developed proprietary online trading and investment platforms, tailored to fit different client experiences, preferences and different types of hardware. The platforms remain the focal point of the Saxo Bank Group's core business, as direct clients and end clients of partners access the capital markets and invests through the SaxoTraderGO, SaxoTraderPRO and SaxoInvestor platform and for partners also through Open API and Fix API.




Global Stock Markets
Helsinki Stock Market
Most traded stocks at Saxo
See All
Ambu A/S
118.60 DKK
Y -50.71%
Danske Bank A/S
86.64 DKK
D 0.28%

PLATFORM IMPROVEMENTS

The Saxo Bank Group's platforms are essentially the heart of the Saxo Bank Group and the main interface with clients. During 2019, new platform functionality was released to improve the client experience for both traders and investors.

A big focus for 2019 has been upgrading content in the platforms and introduced a completely new research section in SaxoTraderGO with articles, news, trade signals, lists of gainers and losers, list of most trades instruments, investment themes etc.

The first version of personalised insights based on the Saxo Bank Group's AI engine in the platform was also launched. A mobile facelift of SaxoTraderGO including enhanced push capabilities and new mobile navigation was also rolled out.

To optimise the journey from "a lead" to "a client", the ability to access SaxoTraderGO's product pages directly from a banner, third party social platform or from a link on a website was launched. This "deep linking" has grown to be an important client acquisition tool for the Saxo Bank Group. Similarly, offering direct access to demo version of the platform with one click on a banner ad allows potential clients to truly experience what the Saxo platforms can offer.

In SaxoTraderPRO, a number of advanced trading functionalities were added such as combination order ticket for options, new instrument search and screeners, drag and drop between modules and an alternative real time position netting mode.

SaxoInvestor was launched late 2018 in Denmark as a simpler platform with focus on retail investor clients. In March 2019, the platform was also launched to clients in Singapore and in October 2019, the platform went live with the first wholesale partner, Mandatum, in Finland.

Saxo Bank's Open API has also seen a number of enhancements in 2019, including a number of integrations to third party applications like Tradingview, Multicharts and Excel. This allows clients to trade with the Saxo Bank Group via these other applications and extend client reach. Clients have been able to use the Open API for both placing trade, and getting live updated account balances, margin numbers etc. for some time and in 2019 the functionality was updated so they can also subscribe to delayed and live price data.

SOCIAL CONTRIBUTION

Saxo Bank Group's social responsibility is driven by the overarching goal of creating value through win-win relationships with clients, partners, employees and the societies in which Saxo Bank Group 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 Group's aim remains to level the playing field by empowering everyone to access global financial markets and cutting-edge technologies. Investment decisions define everyone's ability to pursue their own and their family's dreams which is why making sense of financial markets is too important to be a privilege that belongs exclusively to a few individuals or institutions with specific financial expertise.

The Saxo Bank Group considers any company's core products and services adding value to partners and clients as its main social contribution. For Saxo Bank Group, this is efforts 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 Group's business model illustrates that Saxo Bank Group 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 Group does not invest or trade on behalf of clients and does not risk violating ethics or international conventions. Saxo Bank Group is a staunch advocate for new regulation aiming to better protect investors and traders by, for example, setting a cap on leverage available to retail investors.

During the course of 2019, Saxo Bank Group continued to develop and expand the new investment platform, SaxoInvestor, which gives clients inspiration and insight into opportunities to invest in stocks and bonds of companies working with for example sustainable energy, a key focus area for many of the Saxo Bank Group's clients.

Human rights and Employees engagement

The Saxo Bank Group has a key focus on securing the best talent regardless of age, gender, religion, ethnicity or nationality. As of 31 December 2019, Saxo Bank Group employs 2,170 employees, including 661 in Denmark. Throughout the organisation, Saxo Bank Group encourages and aims for diversity in all its dimensions in the hiring process, graduate programs and other internal operations.

The Saxo Bank Group's ongoing commitment to diversity is consistently communicated both in important employee policies such as the code of conduct and also within internal communication throughout the year.

The Saxo Bank Group employs 64 different nationalities as it recognises that employee diversity brings important business benefits such as adding different perspectives and ideas into business decisions, enhancing innovation and strengthening internal collaboration, which are all key components of the Saxo Bank Group's objective: to enhance client experience and service clients effectively in 170 countries.

The Saxo Bank Group complies with collective agreements and human rights across its offices and is committed to achieving a work environment founded on equality and diversity. In 2019 the Saxo Bank Group did not have any incidents of human rights violations across any locations globally.

The Saxo Bank Group considers its primary risk in relation to human rights being discrimination. The Saxo Bank Group has a zero-tolerance policy to any form of discrimination of its employees or anyone involved in the Group's activities. Managing risk in this regard is crucial to attracting talent across all geographies and to safeguard the brand and reputation of the company. Discrimination includes unequal treatment on the basis of race, gender, age, disability, sexual orientation, religion, ethnicity, political orientation, or simply compromising the principle of equality.

Saxo Bank Group has a goal of increasing the number of women in senior management positions and has implemented a gender diversity policy and gender composition target for the Board of Directors, senior management and other management levels. For general leadership positions within Saxo Bank Group, the proportion of women was 19.5% in 2019. Saxo Bank Group's target for women in senior leadership positions remains at 30% while the level at the end of 2019 was 6.9% (Senior Management Team) or 14.0% (Director level and above). Saxo Bank A/S has a target of having 20% women represented on the Board of Directors by 2021 while the level at the end of 2019 was 0%.

Although the bank has been successful in most diversity initiatives, it has not managed to ensure gender diversity at the most senior level of the organization. The proportion of women in senior leadership positions does not meet the target and therefore remains a key area of focus going forward. The proportion of women in the Board of Directors does not meet the target either as no women were appointed to the Board of Directors following changes in shareholder structure in 2018. Through hiring, internal training, development and career advancement opportunities, the Saxo Bank Group is actively working towards meeting its targets. This will include a number of initiatives in the course of 2020 building on some of the experience drawn from 2019.

In 2019 focus has been on the integration of BinckBank N.V. and in order to mitigate the risk of merging two different company cultures a survey, the Organizational Health Index, was conducted in both organisations to assess and action potential risks and differences. The outcome of the survey has resulted in extensive leadership and sensitivity training to make the two organisations aware of their differences and similarities, and help facilitate seamless integration. For this reason, no Employee Engagement Survey has been conducted in Saxo Bank Group in 2019, however, the survey will be conducted again in Autumn 2020 to follow up on the previous year's progress and strong employee engagement.

Anti-Money Laundering

Being a facilitator of access to global capital markets for traders, investors and partners worldwide, the Saxo Bank Group is exposed to the risk of being used as a conduit for money laundering, terrorist financing and transactions imposed with sanctions. Failure to manage such risks could lead to legal prosecutions and fines which as a resulting, may have a negative impact on our reputation. To address and mitigate these risks, the Board of Directors has adopted group-wide policies, including risk appetite statements which outline clear limits for operations such as client and transaction acceptance. These policies are available to all employees and integrated in relevant written procedures and processes. The policy framework is promoted via managers as mandatory reading as through annual mandatory training sessions.

The Saxo Bank Group utilises the generally accepted industry standard "Three lines of defence" approach to govern the risk mitigation activities. 1st line of defence conducts onboarding including identification of clients, screening clients and transactions against sanctions lists, adverse media and ongoing monitoring of payment transactions and trades. 1st line of defence is headed by the COO, who is also deputy CEO. The second line of defence is headed by the Global Head of Compliance & Financial Crime, reporting to the Group Chief Financial & Risk Officer and to the Board of Directors. This function is advising the 1st line of defence area and conducts independent controls of the mitigating measures in place. When gaps are identified, recommendations are issued. The timely adherence to such recommendations are enforced by the COO. Progress is monitored by 2nd line of defence and the Board of Directors. 3rd line of defence is headed by the Chief Audit Executive referring to the Board of Directors. This area conducts audits on both the 1st- and the 2nd line of defence. The "Three lines of defence" approach creates clarity with regard to roles and responsibility related to risk ownership, oversight and management of the Saxo Bank Group's risk exposures.

The Danish FSA found during a general inspection in 2019 that measures needed to reduce the residual risk related to financial crime were not sufficiently prioritised. The majority of the orders given have been closed and the remaining orders are expected to be closed during first quarter of 2020.

Anti-Bribery and Corruption

The Saxo Bank Group maintains a Group Anti-Bribery and Corruption Policy which sets out rules and procedures to mitigate the risk of bribery and corruption. Failure to manage this risk could lead to legal prosecution and fines and have a negative impact on our reputation. The policy has been established to comply specifically with the UK Bribery Act which has been assessed to include the highest standards of anti-bribery and corruption regulations within the countries where the Saxo Bank Group entities are established and hence complies with local regulations and with general global standards. As part of the Saxo Bank Group's measures to mitigate the risk of bribery and corruption the Saxo Bank Group maintains a policy on the receiving and giving of gifts/inducements. In 2019, Saxo Bank Group continued the development and all relevant employees completed an e-learning course on general antibribery and corruption regulations which must be retaken on an ongoing basis.

Climate and Environment

The Saxo Bank Group is primarily a digital business and therefore its negative impact on the environment is limited. The Saxo Bank Group does not have an independent policy or actions on this matter due to not being an energy intensive company. The Saxo Bank Group's carbon emissions are mainly associated with its electricity use at the Saxo Bank Group's offices and operations and the Saxo Bank Group does not have a climate policy or global actions. However, the Saxo Bank Group does work to minimise carbon emissions and for example, in 2019, maintained its use of sea water for both heating and cooling at the Group's headquarter.

As set out in theme Sustainable investments on page 26 the Saxo Bank Group sees significant growth in the facilitation of clients' investments into companies working with for example sustainable energy.

TAX AND OTHER DUTIES

The Saxo Bank Group is established and has its headquarters in Denmark, therefore a large part of the Group's social contribution is in the country.

An important component of this social contribution are taxes and other duties, which are incurred directly and also indirectly where taxes are collected by the Saxo Bank Group 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 its total tax contribution, the Saxo Bank Group contributed indirectly through purchases of services, goods etc. from vendors, which again contributes through its employees, purchases and direct and indirect taxes etc.

The Saxo Bank Group does business responsibly, meeting expectations for a good corporate citizen. This means paying taxes where profits are earned in accordance with local legislation. It also means having a balanced tax risk profile and not engaging in tax-avoidance activities.

The Saxo Bank Group is subject to Danish CFC taxation. This means that positive income in subsidiaries engaged in financial activities is included in the taxable income of the Saxo Bank Group in Denmark.

The income of the subsidiary is therefore subject to Danish corporate tax with a tax credit granted for foreign tax paid by the subsidiary. The Danish CFC taxation legislation also removes the incentive for tax planning.

TOTAL TAX CONTRIBUTION MADE BY SAXO BANK GROUP:

	Denmark			Other countries			Total		
(DKK million)	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Corporate taxes including CFC taxes	6	-	58	69	50	59	75	50	117
Payroll taxes	292	288	297	105	65	54	397	352	351
Social taxes	1	1	1	73	57	51	74	59	53
Financial Services Employer taxes	111	107	103	0	-	-	111	107	103
Property taxes	4	4	4	2	2	2	6	6	5
Value added taxes	116	118	100	19	11	8	135	129	108
Taxes on dividends	-	-	-	-	1	2	-	1	2
Other taxes	0	3	2	48	16	12	48	19	14
Total taxes	**530**	**521**	**565**	**316**	**202**	**188**	**846**	**723**	**753**

HOW THE SAXO BANK GROUP SUPPORTS ITS PARTNERS

How the Saxo Bank Group became the home for Robo advisors in Singapore

Singapore is a competitive and rapidly changing market but Saxo Bank Group has successfully become the preferred choice of new digital investment solutions and robo-advisers looking for a suitable partner that can facilitate access to global capital markets at competitive prices.

This success is rooted in the heart of Saxo Bank Group's business model of democratising investments through open technology architecture, API connectivity and the widest range of investable instruments. This caters for the needs of digital wealth managers who can easily integrate their solutions with our broad access to global markets and risk management solutions into their own offerings. Today, six of the eight major digital wealth management solutions in Singapore are partners of Saxo Bank Group.

We firmly believe that partnerships and outsourcing are the solutions for both large and small banks, robo-advisers and digital wealth managers to help deliver relevant products to their customers in an efficient and flexible way. A digital wealth manager, for example, needs to focus on its efforts on its core competencies, while entering into partnerships supporting the technology underpinning the rest of the value chain.

When the Monetary Authority of Singapore (MAS) in 2015 announced plans to turn Singapore into a 'Smart Financial Centre' our partnership visions became more relevant than ever before.

The MAS introduced a far-sighted initiative which placed great importance on the integration of finance and technology as essential to turning Singapore into a Smart Nation. This long-term plan by a country which already has one of the most advanced financial services industries in the world, will undoubtedly make Singapore the digital innovation hub of finance in Asia.

Banca Generali

Banca Generali fully recognizes and advocates that the future of financial services will be driven by open architecture and has identified Saxo Bank Group as a leading provider in this area in terms of technology, platforms, service and innovation.

To determine how to digitise their services, Banca Generali weighed up three options which were: build their own system, buy in external services or form a partnership with a leading fintech specialist. It was decided that a joint venture partnership with Saxo Bank Group was the most attractive and efficient route for Banca Generali to achieve both its commercial and digitisation ambitions.

The partnership with Saxo Bank Group enables Banca Generali to offer the best online trading and digital services to Italian clients looking to trade and invest autonomously, as well as to existing private clients through financial advisors.

"We are pleased to partner with one of the best companies in the world for digital trading services, and its outstanding, innovation-oriented management team. This partnership opens up new opportunities for our bank, which is expanding its exclusive solutions with a range of excellent digital services, and especially for our network of financial advisors and clients, to whom our private bank will provide an even more extensive and distinctive range of tools which will add value and greater choice."

Gian Maria Mossa
Chief Executive Officer

FINANCIAL REVIEW

Saxo Bank Group reported a net profit of DKK 40 million for 2019 compared to DKK 963 million for 2018. Operating income for Saxo Bank Group amounted to DKK 2,611 million in 2019 compared to DKK 2,786 million in 2018, corresponding to a decrease of 6%. BinckBank N.V. is included in the annual report from beginning of August 2019.

Saxo Bank Group's result is directly linked to the clients trading activity, particularly in relation to FX markets, which account for a large part of the Saxo Bank Group's earning and with an all-time low volatility across most financial markets and continued negative interest rates in 2019. In addition to the external market environment, the result is negatively impacted by the significant price reductions across asset classes that Saxo Bank Group has implemented through 2019. The price reductions were implemented to position Saxo Bank Group in the market, enabling future growth by being an industry leader on platforms, experience and service while offering a competitive and relevant pricing to our customers. Finally, the result is impacted by the continued high level of investments in our platforms and growth opportunities, including partner investments.

Saxo Bank Group has injected technology and IP rights for use in China into the joint venture Saxo Geely Tech Holding, while Geely Sweden Holdings AB supports with financial investments and local know-how. Other income of DKK 716 million primarily relates to the injection of technology and IP rights for the use in the Chinese market to Saxo Geely Tech Holding A/S of DKK 638 million. In 2018 other income was related to the disposal of Saxo Payments A/S.

Staff costs and administrative expenses were DKK 2,582 million for the Saxo Bank Group in 2019, an increase of 17% compared to 2018 and was affected by acquisition and integration costs of BinckBank N.V. by DKK 98 million. At the same time Saxo Bank Group has initiated several cost and efficiency savings initiatives to partly off-set the decrease in operating income. As a part of this, Saxo Bank Group decided to adjust the organisation in November and reduce the number of employees by 65, of which 27 were employed in the headquarters in Denmark. Furthermore, in February 2020 a redundancy plan applying to 87 positions at the BinckBank office in Amsterdam was effectuated

EBITDA amounted to DKK 822 million in 2019 compared to DKK 1,408 million in 2018.

Depreciation and impairment of intangible and tangible assets of DKK 612 million in 2019 compared to DKK 312 million in 2018 had been affected by impairment of goodwill on Saxo Bank Switzerland AG by DKK 100 million, write-downs on IT projects by DKK 86 million and depreciation related to the acquisition of BinckBank N.V. Since 1 January 2019 the IFRS 16 standard on Leases has been applicable. The impact of implementing this standard on the financial results and equity for the 2019 was not material.

Impairment charges for loans and receivables etc. decreased with DKK 4 million to DKK 9 million in 2019 and was mainly related to lending in BinckBank N.V. 2018 figures was impacted by disposed activities in Saxo Privatbank A/S in April 2018.

H2 2019 vs H1 2019

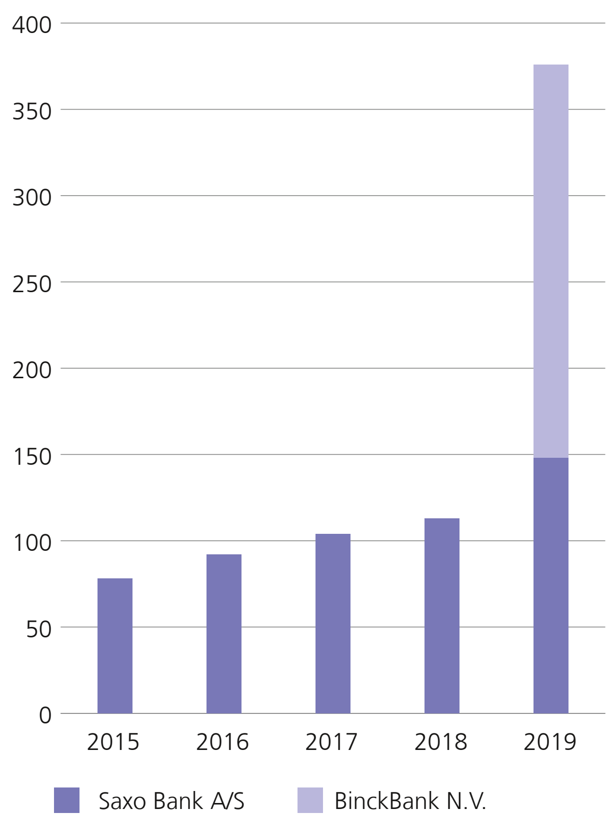
The result in second half of 2019 was DKK 179 million compared to a loss of DKK 139 million for first half of 2019. Second half was affected by the establishment of the joint venture Saxo Geely Tech Holding A/S and the acquisition of BinckBank N.V. in August 2019.

STATEMENT OF FINANCIAL POSITION

In August 2019, Saxo Bank Group completed the acquisition and achieved control of BinckBank N.V. The total purchase price of BinckBank N.V. amounted to EUR 416 million and Saxo Bank Group holds 98.01% of the shares as of 31 December 2019. Further details on BinckBank N.V. assets and liabilities are disclosed in note 24.

The inflow of clients' assets from new and existing clients continued successfully in 2019, as clients' assets increased by DKK 263 billion from the end of 2018 to a record high of DKK 375 billion by the end of 2019. Increase in clients' assets are primarily due to the acquisition of BinckBank N.V. but also an organic growth of DKK 35 billion or 31% excluding BinckBank N.V. The continued increase in clients' assets shows the strength of the product offering and platforms. The cash inflow from clients' cash deposits are placed with counterparty banks, as well as in bonds and other interest-bearing assets. Cash in hand and demand deposits with central banks of DKK 24 billion as of 31 December 2019 is affected by BinckBank N.V.

Clients' assets 2015-2019
DKK billion



Financial assets at fair value are primarily comprised of bonds and derivative financial instruments with a positive fair value/unsettled spot transaction towards client trading Financial liabilities at fair value are comprised of financial instruments with a negative fair value/unsettled spot transaction towards client trading.

Loans and other receivables at amortised cost was DKK 10 billion as of 31 December 2019 and are related to lending activity in BinckBank N.V.

In December, Saxo Bank Group established the technological joint venture, Saxo Geely Tech Holding A/S, with Geely Sweden Holdings AB to provide financial and regulatory technology solutions to financial institutions in China such as banks and fintechs. Investment in joint ventures was DKK 580 million as of 31 December 2019.

Intangible assets increased by DKK 0.7 billion to DKK 2.5 billion as of 31 December 2019, and had been affected by the acquisition of BinckBank N.V. and increased CAPEX investments of DKK 572 million with most of it related to digitisation and investments in compliance and Regtech. In addition, Saxo Bank Group had made an impairment of goodwill on Saxo Bank (Switzerland) AG by DKK 100 million and write-downs on IT projects by DKK 86 million.

Total assets increased from DKK 35 billion as of 31 December 2018 to DKK 75 billion as of 31 December 2019 primarily related to the acquisition of BinckBank N.V. of DKK 38 billion. Clients' deposits have increased by DKK 38 billion to DKK 59 billion in 2019 mainly relating to the acquisition of BinckBank N.V.

As part of acquiring BinckBank N.V., current main shareholders made a capital increase in Saxo Bank A/S of EUR 132 million. Furthermore, Saxo Bank A/S has issued EUR 100 million tier 2 subordinated debt in July and in November, Saxo Bank A/S has issued EUR 60 million additional tier 1 capital notes. These new issuances refinancing existing EUR 45 million additional tier 1 capital notes optionally redeemed in February 2020 and EUR 50 million tier 2 subordinated debt expected to be called for in April 2020. The regulatory approval is granted.

Total shareholders' equity increased by 20% to DKK 6.2 billion as of 31 December 2019. Hereof amounted the share capital DKK 75.2 million.

The total capital ratio for the Saxo Bank Group decreased to 32.9% as of end 2019 from 35.0% at the end of 2018, retaining a comfortable buffer compared to the capital requirement.

CAPITAL AND LIQUIDITY

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

As of 31 December 2019, the Saxo Bank Group continued to have a strong capital situation with a comfortable buffer to the regulatory requirements. In the below table an overview of the regulatory capital figures as of 31 December are presented. All figures after inclusion of the total comprehensive income for the year.

	2019		2018
Saxo Bank Group	DKKm	%	%
Common equity tier 1 capital (CET1)	3,640	21.6%	29.2%
Tier 1 capital	4,423	26.3%	32.0%
Total capital	5,543	32.9%	35.0%

As of 31 December 2019, the Saxo Bank Group's ICAAP resulted in a capital requirement of 13.8% of risk exposure amounts, equivalent to DKK 2.3 billion. As such the total capital buffer was DKK 3.2 billion, equivalent to 19.2% of the risk exposure amounts.

An overview of the total capital buffer for the four preceding years are presented in the below table. The total capital buffer is defined as the difference between the total capital and the ICAAP capital requirement measured in pct. of risk exposure amounts.

Saxo Bank Group	2019	2018	2017	2016
Total capital buffer	19.2%	22.8%	11.4%	7.2%

The total risk exposure amounts of the Saxo Bank Group was DKK 17 billion as of 31 December 2019 compared with DKK 12 billion as of 31 December 2018.

CRD IV and CRR require Saxo Bank A/S and the Saxo Bank Group to monitor and report a short-term Liquidity Coverage Ratio (LCR) and a long-term Net Stable Funding Ratio (NSFR). In Denmark the minimum requirement for the LCR is 100%. As of 31 December 2019, Saxo Bank A/S and the Saxo Bank Group had a sound liquidity buffer to the minimum regulatory requirements with a LCR of 234.3% and 450.1% respectively towards a minimum regulatory requirement of 100%.

Saxo Bank A/S and the Saxo Bank Group 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 Danish FSA.

In the ILAAP per end of 2019, it is concluded that Saxo Bank A/S and the Saxo Bank Group has a safe operational setup within the liquidity area and that the current level of liquidity is sufficient to uphold Saxo Bank's operation and meet a prudent requirement under the LCR regime.

The unaudited Risk Report 2019 and the ICAAP Q4 2019 Report provides additional information regarding Saxo Bank's and the Saxo Bank Group's Total Capital (including regulatory capital disclosures), risk exposure amounts and capital requirements. The unaudited Risk Report 2019 also provides additional information regarding the liquidity, the liquidity requirements and the ILAAP of the Saxo Bank Group. The report is available at www.home.saxo/about-us/investor-relations.

Danish Financial Supervisory Authority (Danish FSA) conducted an inspection of Saxo Bank A/S
In March 2019, Danish Financial Supervisory Authority (Danish FSA) conducted an inspection of Saxo Bank A/S. The inspection was conducted as an ordinary inspection, comprising a review of the Bank's material risk areas based on a risk-based approach. As a result of the inspection the Danish FSA issued 9 orders to Saxo Bank A/S, which was made public by the Danish FSA in June 2019 and published on Saxo Bank Group's website.

Following the inspection Saxo Bank A/S has completed a number of activities to resolve the issues identified and the orders giver by the Danish FSA. As per end of December 2019 the majority of the orders is solved and acknowledged by the Danish FSA.

Saxo Bank A/S is satisfied that the Danish FSA notes the fact that, over the last couple of years, the Saxo Bank Group's risk in relation to clients' trades and hedging hereof has been reduced significantly.

The process of reducing the Saxo Bank Group's risk has required significant investments, and today Saxo Bank Group operates a notably more robust business model, which is scalable and provides access to global capital markets for both direct clients and partners.

EVENTS AFTER THE REPORTING DATE

In February 2020 Damian Bunce has stepped down as Chief Commercial Officer. The Board of Management now consists of Kim Fournais, CEO, Søren Kyhl, deputy CEO & COO, and Steen Blaafalk, CFRO.

EUR 45 million additional tier 1 capital notes was redeemed at first possible call in February 2020 and EUR 50 million tier 2 subordinated debt expected to be called in April 2020. The regulatory approval is granted.

In February 2020, Saxo Bank Group acquired remaining shares in BinckBank N.V.

Following the continued outbreak of corona virus, volatility in financial markets has increased significantly leading to increased activity among the Saxo Bank Group's clients.

There have been no other events that materially affect the assessment of this Annual Report 2019 after the reporting date.

OUTLOOK 2020

Saxo Bank Group's result is dependent on clients investment behavior and need for diversification of investment as well as external market factors, such as market volatility, stock market development, currency rates, interest rates levels and turnover in capital markets. Based on current external economic forecasts as well as observed trends in clients needs.

Despite impacted by the low interest rates level and market volatilities, Saxo Bank Group continue its investments in technology and digitisation, while at the same time pursuing a strong and sustainable cost discipline. The operating cost for 2020 is dependent upon a successful execution of the integration plans for BinckBank N.V.

Following the continued outbreak of corona virus, volatility in financial markets has increased significantly leading to increased activity among the Saxo Bank Group's clients. However, deterioration of markets, price and market gaps also pose risks to the Saxo Bank Group's earnings. Saxo Bank Group expects to end 2020 with a positive net profit, in the range DKK 0-50 million.

SUSTAINABLE INVESTMENTS

2019 has been a year with immense focus on climate change and environmental issues and global citizens are becoming increasingly mindful of the footprint they leave behind. Many are looking to make changes and influence the issues that matter to them by, for example, adjusting their consumption and lifestyle choices. Some decide to skip long flights for their summer holidays to cut down on carbon emissions, or they eat less meat to protect animal welfare and the climate.

However, investing is one area where people can enact most change. Savings and pensions give everyone a strong voice and a unique opportunity to influence and deliver real impact to the world. For example, investing in shares from a company that works with renewable energy is more than just an opportunity to achieve a return, it is a support for the business and an opportunity to influence the strategy, and, in the case of renewable energy investment, help combat climate change.

A recent report by Deloitte showed that only a few people are aware of the enormous power they have to "vote with their savings". Deloitte points to several possible causes, including excessive complexity and lack of transparency when investing.

The Saxo Bank Group makes it easier and cheaper for investors to align their savings with the values they want to promote and works to enable a much wider audience in order to make a real difference through investing according to their beliefs.

Among a number of initiatives in the field of sustainable investments, the Saxo Bank Group in April 2019 launched a partnership with Brown Advisory, a leading global investment manager with a long history in sustainable investing, announced a collaboration to offer a portfolio of ethical stocks through the fully digital and automated trading and investment service, SaxoSelect. The Saxo Bank Group is the first to offer retail clients outside of the U.S. access to invest in Brown Advisory's Ethical Selection portfolio that offers an attractive and cost-effective way to invest in a sustainable, all-cap, 30-40 stock portfolio.

REGULATORY ENVIRONMENT

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

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

Resolution and Recovery of banks

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

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 is contributing to. In 2019, the Saxo Bank Group contributed with DKK 5 million. In addition, the Saxo Bank Group is contributing 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 sector 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). As of 31 December 2019 the MREL requirement add-on of Saxo Bank A/S was 6.0%

Deposit Guarantee Schemes

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

Accounting standards (IFRS)

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

From 1 January 2019 the Saxo Bank Group has adopted IFRS 16 Leases. The standard changes the accounting treatment of leases previously treated as operating leases. The lessees shall, with a few exceptions recognise all leases as right-of-use assets and the related lease obligations as liabilities in the statement of financial position. The lease payments will be recognised as depreciation and interest expense over the leasing period. The impact is disclosed in note 1 in the consolidated financial statements.

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. In 2019 the OECD continued the work addressing the issues related to certain action points while the implementation of agreed measures continued in the participating countries.

In 2018 the OECD released an interim report for fair taxation of the Digital economy. The report consists of measures which aims to ensure that in a digital economy profits are taxed where the value is created. There seems to be consensus between the EU member states that taxation of the growing digital economy is a challenge that needs to be addressed. In May 2019 the OECD published a work program to seek international agreement on a comprehensive reform of the tax rules to resolve the challenges arising from the digitalization of the economy by the end of 2020.

Capital Requirement Regulation (CRR)
The Fourth edition of the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) has been applicable from the beginning of 2014. In June 2019 EU published the final Capital Requirement Regulation 2019/876 or CRR2 amending the existing regulation 575/2013. The revised legislative text covers e.g. the leverage ratio, the Net Stable Funding Ratio, new requirement for Counterparty Credit Risk and Large Exposures. For most parts the CRR2 applies from 28 June 2021 allowing for faster implementation in certain areas.

The Saxo Bank Group does not foresee difficulties in adhering to the updated CRR2 regulation, and has proactively since 2016 based its capital requirement assessment related to Counterparty Credit Risk on the upcoming SA-CCR model which will be introduced as the new standard model with the CRR2.

Capital requirements
CRD IV and CRR require the Saxo Bank Group to monitor and report capital requirements and buffers.

The Saxo Bank Group 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 Saxo Bank Group does not maintain these buffers, restrictions will be placed on its ability to pay dividend until the buffer-requirements are sufficiently met. In Denmark, the "capital conservation buffer" reached the final phased in level of 2.5% of the risk exposure amounts in 2019.

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 Saxo Bank Group's capital ratios, if the buffer requirement is activated in jurisdictions where the Group has exposures. However, only a few countries have currently set a countercyclical buffer. In Denmark the countercyclical capital buffer level was 1.0% of the risk exposure amounts as per 31 December 2019, however following the events related to the COVID-19 Pandemic the countercyclical capital buffer of Denmark has been lowered to zero with immediate effect from March 2020 and announced future increases have been cancelled.

Specification on the Saxo Bank's and the Saxo Bank Group's capital statement, capital instruments, current capital requirements and capital buffers are disclosed in the unaudited Risk Report 2019 and the quarterly ICAAP Q4 2019 Report. The reports are available at www.home.saxo/about-us/investor-relations.

Leverage ratio
CRD IV and CRR require Saxo Bank and the Saxo Bank 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"). A minimum requirement to the leverage ratio will be introduced as per 28 June 2021 with the implementation of the CRR2. Fulfilment of the upcoming minimum requirement of 3.0% is not expected to be an issue for either Saxo Bank or the Saxo Bank Group.

Specifications on Saxo Bank's and the Saxo Bank Group's leverage ratios are disclosed in the unaudited Risk Report 2019 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. A minimum required NSFR level will introduced as per 28 June 2021 with implementation of the CRR2.

In addition, CRR and guidelines from EBA require the Saxo Bank Group to monitor, report and disclose Asset Encumbrance.

Specification on Saxo Bank's and the Saxo Bank Group's LCR, NSFR and Asset Encumbrance are disclosed in the unaudited Risk Report 2019 and are available at www.home.saxo/aboutus/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 Saxo Bank Group's current implementation of governance is disclosed in the unaudited Risk Report 2019 according to CRR.

Remuneration
According to CRD IV and Danish Legislation, the Saxo Bank 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 2019 is available at www.home.saxo/about-us/investor-relations.

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

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 Saxo Bank Group's capital management is rooted in the CRD IV Pillars I, II and III. Pillar I define 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 (SREP), while Pillar III contains the disclosure aspects. The Saxo Bank Group's ICAAP comprises five steps as described below:

Step 1: Minimum capital requirement (Pillar I), which constitutes 8% of the Saxo Bank Group's Risk Exposure Amount (REA) calculated in accordance with the standard formulas defined in CRR and CRD IV.

Step 2: Internal assessment of whether further capital requirements are needed in addition to Pillar I using quantitative and/or qualitative approaches supported with expert judgement (Pillar II)

Step 3: Stress testing of different risk items under each risk category using sensitivity testing and scenario analysis. If the potential impact of risks are found, with sufficient plausibility and severity, not covered sufficiently in step 1 and 2, an assessment is made whether further add-on (Pillar II) has to be made or addressed in the capital planning

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 Saxo Bank Group's adequate capital level is to calculate the minimum capital requirement using the CRR - Pillar I. The Group uses the following methodologies to calculate risk exposure amounts for the three types of risks:

Credit risk - The Standard Method
- Credit Risk: The Standard Method
- Counterparty Credit Risk: Marked to market Method
- Credit Risk Mitigation: Financial Collateral Comparative Method
- CVA-Risk: Standardised Method

Market risk – The 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 Saxo Bank Group is exposed using a quantitative approach and/or qualitative approaches supported with expert judgement. This approach, where each risk category is assessed subjectively in accordance with certain principles and with Danish FSA's 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 Saxo Bank Group Risk Report 2019, which is available at www.home.saxo/about-us/investor-relations.

Credit risk

As a baseline, the Saxo Bank 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

As a baseline, the Saxo Bank Group follows the Danish FSA capital adequacy requirement guideline in the assessment of additional Pillar II requirements within the Market risk area.

Operational, Compliance and Legal risk

The Saxo Bank Group's operational risk is as a baseline assessed according to the Danish FSA capital adequacy requirement guideline in the assessment of additional

Pillar II requirements within the operational risk area. As a supplement to this a qualitative approach supported with 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 cost of raising capital in a very illiquid market. The Saxo Bank Group has determined the liquidity risk based on stressed scenarios with a liquidity shortfall within the Group. To the extent that the events bring the liquidity below internally set thresholds, capital will be explicitly allocated to cover the risk.

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

CAPITAL REQUIREMENT ADEQUACY TESTING

In addition to the Pillar I and Pillar II approach, the Saxo Bank 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 Saxo Bank Group uses a number of combined scenarios, combining multiple events across risk categories. Where applicable, the scenarios take insurance coverage into account.

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 Saxo Bank 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 Saxo Bank 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 Saxo Bank 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 Saxo Bank is positioned for timely and accurate settlements and executions of any demands, requirements and obligations.

More details regarding the liquidity management can be found in the unaudited Saxo Bank Group Risk Report 2019 available at www.home.saxo/about-us/investor-relations.

RISK FACTORS

Saxo Bank Group is exposed to various risks that are actively monitored as applicable based on the underlying exposure. The Group strives to manage and mitigate those risks that it has influence upon in order to ensure that risks are within the Saxo Bank 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 Saxo Bank Group strives to be observant and responsive to changes in the external environment.

Risk factors, which may adversely affect the Saxo Bank 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 Risk Report 2019 at www.home.saxo/about-us/investor-relations.

CREDIT RISK

Clients 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 in turn may turn into losses if the Saxo Bank 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 Saxo Bank 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 Saxo Bank Group only operates with regulated counterparties having a high credit rating and within a set of predefined limits.

MARKET RISK

The Saxo Bank Group is a market liquidity provider with no significant proprietary position taking in the Markets operation. The vast majority of the trading flow from clients taking place on the Saxo trading platform is executed and hedged automatically in order to minimize the intermediate market risk. However limited market risk arises 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 Saxo Bank 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 primarily 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 Saxo Bank 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 Saxo Bank Group.

In order to control and minimize this risk the Saxo Bank 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 Saxo Bank Group is operating under regulated licenses 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 Saxo Bank Group and its clients, which might affect the Group financially or harm its reputation.

The Saxo Bank 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 defenses are in place at all times.

Third party service providers

The Saxo Bank 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 Saxo Bank Group's reputation.

Substantial outsourcing agreements with third parties are monitored and reviewed regularly to ensure that they meet the Saxo Bank 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 Saxo Bank 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 Saxo Bank 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 Saxo Bank Group's regulatory environment can be found on page 28.

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 Saxo Bank 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 Saxo Bank Group's leveraged products, which may have an adverse effect on the Group's results and financial position.

LIQUIDITY RISK

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

Liquidity management in Saxo Bank Group 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.

SAXO BANK GROUP FINANCIAL STATEMENTS

CONTENTS FINANCIAL STATEMENTS

SAXO BANK GROUP FINANCIAL STATEMENTS
38 | Income statement
39 | Statement of comprehensive income
40 | Statement of financial position
41 | Statement of changes in equity
42 | Statement of total capital
43 | Cash flow statement
44 | Notes
44 | 1 Accounting policies
53 | 2 Critical accounting estimates and judgements
54 | 3 Interest income
54 | 4 Interest expense
54 | 5 Fee and commission income
54 | 6 Fee and commission expense
54 | 7 Price and exchange rate adjustments
55 | 8 Other income
55 | 9 Staff costs and administrative expenses
56 | 10 Audit fees
56 | 11 Tax
58 | 12 Financial assets and financial liabilities at fair value
59 | 13 Loans and other receivables at amortised cost
59 | 14 Investments in joint ventures
60 | 15 Intangible assets
61 | 16 Impairment test
63 | 17 Domicile properties and other tangible assets
64 | 18 Other assets
64 | 19 Deposits
64 | 20 Other liabilities
64 | 21 Provisions
65 | 22 Subordinated debt
66 | 23 Equity
67 | 24 Acquisition of businesses
69 | 25 Divestments
70 | 26 Expected maturity of statement of financial position items
71 | 27 Maturity analysis of financial liabilities
72 | 28 Offsetting financial assets and liabilities
73 | 29 Classification and measurement of financial instruments
76 | 30 Hedge accounting
78 | 31 Related parties
79 | 32 Contingent and other contractual commitments
80 | 33 Assets deposited as collateral
81 | 34 Remuneration of management and significant risk takers
83 | 35 Group entities
83 | 36 Events after the reporting date

84 | Risk Management
85 | Credit risk
97 | Market risk
101 | Operational risk
101 | Liquidity risk
102 | Capital adequacy

104 | Key figures and ratios
106 | Definitions of key figures and ratios

SAXO BANK A/S FINANCIAL STATEMENTS
109 | Income statement
110 | Statement of comprehensive income
111 | Statement of financial position
112 | Statement of changes in equity
113 | Statement of total capital
114 | Notes

STATEMENTS AND REPORTS
131 | Statement by the Management
132 | Independent Auditors' Report

INCOME STATEMENT – SAXO BANK GROUP
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2019	2018
3	Interest income calculated using the effective interest method	222,621	122,859
3	Other interest income	1,320,675	1,617,822
4	Interest expense	(305,397)	(323,544)
	Net interest income	**1,237,899**	**1,417,137**
5	Fee and commission income	1,738,290	1,441,636
6	Fee and commission expense	(1,002,191)	(862,072)
	Net interest, fees and commissions	**1,973,998**	**1,996,701**
7	Price and exchange rate adjustments	637,416	789,368
	Operating income	**2,611,414**	**2,786,069**
8	Other income	715,513	803,230
9,10,34	Staff costs and administrative expenses	(2,582,222)	(2,209,974)
	Depreciation, amortisation and impairment of intangible and tangible assets	(611,720)	(311,519)
	Other expenses	(14,069)	(25,872)
	Impairment charges loans and receivables etc.	(9,397)	(12,973)
14	Income from joint ventures	(50)	-
	Profit before tax	**109,469**	**1,028,961**
11	Tax	(69,793)	(66,015)
	Net profit	**39,676**	**962,946**
	Net profit attributable to:		
	Shareholders of Saxo Bank A/S	3,141	954,849
	Additional tier 1 capital holders	36,236	32,643
	Non-controlling interests	299	(24,546)
	Net profit	**39,676**	**962,946**

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK GROUP

1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2019	2018
	Net profit	**39,676**	**962,946**
	Other comprehensive income		
	Items that will not be reclassified to income statement:		
	Remeasurement of defined benefit pension plans	(1,309)	(1,846)
11	Tax	277	390
	Items that will not be reclassified to income statement	(1,032)	(1,456)
	Items that are or may be reclassified to income statement:		
	Exchange rate adjustments	81,346	41,867
30	Hedge of net investments in foreign entities	(57,590)	(15,087)
	Items reclassified to income statement	-	233
30	Fair value adjustment of cash flow hedges:		
	Effective portion of changes in fair value	(2,962)	761
	Net amount transferred to income statement	5,816	6,290
11	Tax	11,927	903
	Items that are or may be reclassified to income statement	38,537	34,967
	Total other comprehensive income	**37,505**	**33,511**
	Total comprehensive income	**77,181**	**996,457**
	Total comprehensive income attributable to:		
	Shareholders of Saxo Bank A/S	40,646	988,360
	Additional tier 1 capital holders	36,236	32,643
	Non-controlling interests	299	(24,546)
	Total comprehensive income	**77,181**	**996,457**

STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP
AT 31 DECEMBER

Note	(DKK 1,000)	2019	2018
	ASSETS		
	Cash in hand and demand deposits with central banks	24,276,476	2,960,272
	Receivables from credit institutions and central banks	6,478,343	1,777,200
12	Financial assets at fair value	25,467,603	26,630,433
	Bonds at amortised cost	3,349,675	-
13	Loans and other receivables at amortised cost	9,883,253	138
	Current tax assets	159,201	47,523
14	Investments in joint ventures	580,430	-
15,16	Intangible assets	2,516,054	1,768,806
17	Tangible assets	1,412,106	790,355
11	Deferred tax assets	37,475	29,265
18	Other assets	769,784	480,121
	Total assets	**74,930,400**	**34,484,113**
	LIABILITIES		
	Debt to credit institutions and central banks	3,563,948	4,653,809
12	Financial liabilities at fair value	2,256,435	1,724,743
19	Deposits	59,311,073	21,370,224
	Current tax liabilities	31,063	32,842
20	Other liabilities	1,076,326	561,533
11	Deferred tax liabilities	167,634	41,595
21	Provisions	302,407	176,908
22	Subordinated debt	1,139,555	370,291
	Total liabilities	**67,848,441**	**28,931,945**
23	**EQUITY**		
	Share capital	75,207	68,284
	Share premium	996,288	-
	Translation reserve	249,607	213,181
	Hedging reserve	(35,774)	(37,885)
	Revaluation reserve	46,926	49,597
	Retained earnings	4,890,975	4,913,000
	Shareholders of Saxo Bank A/S	**6,223,229**	**5,206,177**
	Additional tier 1 capital	797,763	345,991
	Non-controlling interests	60,967	-
	Total equity	**7,081,959**	**5,552,168**
	Total liabilities and equity	**74,930,400**	**34,484,113**

STATEMENT OF CHANGES IN EQUITY – SAXO BANK GROUP

AT 31 DECEMBER

(DKK 1,000)	Shareholders of Saxo Bank A/S									
	Share capital	Share premium	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total	Additional tier 1 capital	Non-controlling interests	Total
Equity at 1 January 2018	**68,284**	**-**	**174,721**	**(43,269)**	**51,936**	**3,985,584**	**4,237,256**	**346,048**	**38,110**	**4,621,414**
Restatement on intial application of IFRS 9	-	-	-	-	-	(26,498)	(26,498)	-	(1,463)	(27,961)
Restated equity at 1 January 2018	**68,284**	**-**	**174,721**	**(43,269)**	**51,936**	**3,959,086**	**4,210,758**	**346,048**	**36,647**	**4,593,453**
Net profit	-	-	-	-	-	954,849	954,849	32,643	(24,546)	962,946
Other comprehensive income										
Exchange rate adjustments	-	-	41,867	-	-	-	41,867	-	-	41,867
Hedge of net investments in foreign entities	-	-	(15,087)	-	-	-	(15,087)	-	-	(15,087)
Items reclassified to income statement	-	-	233	-	-	-	233	-	-	233
Fair value adjustment of cash flow hedges	-	-	-	7,051	-	-	7,051	-	-	7,051
Revaluation of domicile properties	-	-	-	-	(2,999)	2,999	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	(1,846)	(1,846)	-	-	(1,846)
Other equity movements	-	-	8,877	-	-	(8,877)	-	-	-	-
Tax	-	-	2,570	(1,667)	660	(270)	1,293	-	-	1,293
Total other comprehensive income	-	-	38,460	5,384	(2,339)	(7,994)	33,511	-	-	33,511
Total comprehensive income	**-**	**-**	**38,460**	**5,384**	**(2,339)**	**946,855**	**988,360**	**32,643**	**(24,546)**	**996,457**
Transactions with owners										
Tier 1 interest payments	-	-	-	-	-	-	-	(32,700)	-	(32,700)
Share-based payments	-	-	-	-	-	7,059	7,059	-	-	7,059
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	(12,101)	(12,101)
Equity at 31 December 2018	**68,284**	**-**	**213,181**	**(37,885)**	**49,597**	**4,913,000**	**5,206,177**	**345,991**	**-**	**5,552,168**
Net profit	-	-	-	-	-	3,141	3,141	36,236	299	39,676
Other comprehensive income										
Exchange rate adjustments	-	-	81,346	-	-	-	81,346	-	-	81,346
Hedge of net investments in foreign entities	-	-	(57,590)	-	-	-	(57,590)	-	-	(57,590)
Fair value adjustment of cash flow hedges	-	-	-	2,854	-	-	2,854	-	-	2,854
Revaluation of domicile properties	-	-	-	-	(3,425)	3,425	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	(1,309)	(1,309)	-	-	(1,309)
Tax	-	-	12,670	(743)	754	(477)	12,204	-	-	12,204
Total other comprehensive income	-	-	36,426	2,111	(2,671)	1,639	37,505	-	-	37,505
Total comprehensive income	**-**	**-**	**36,426**	**2,111**	**(2,671)**	**4,780**	**40,646**	**36,236**	**299**	**77,181**
Transactions with owners										
Increase in share capital	6,923	996,288	-	-	-	-	1,003,211	-	-	1,003,211
Issuance of additional tier 1 capital [1]	-	-	-	-	-	(6,927)	(6,927)	448,270	-	441,343
Tier 1 interest payments	-	-	-	-	-	-	-	(32,734)	-	(32,734)
Share-based payments and repurchase	-	-	-	-	-	(23,597)	(23,597)	-	-	(23,597)
Treasury shares	-	-	-	-	-	3,325	3,325	-	-	3,325
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	54,157	54,157
Transactions with non-controlling interests	-	-	-	-	-	394	394	-	6,511	6,905
Equity at 31 December 2019	**75,207**	**996,288**	**249,607**	**(35,774)**	**46,926**	**4,890,975**	**6,223,229**	**797,763**	**60,967**	**7,081,959**

[1] Transaction costs DKK 6.9 million are deducted in retained earnings.

STATEMENT OF TOTAL CAPITAL – SAXO BANK GROUP
AT 31 DECEMBER

(DKK 1,000)	2019	2018
Tier 1 capital		
Total equity 1 January excl. non-controlling interests	5,206,177	4,210,758
Net profit excl. non-controlling interests	39,377	987,492
Accrued interest (dividend) on Additional tier 1 capital, net of tax	(36,236)	(32,643)
Cost of issuance of Additional tier 1 capital	(6,927)	-
Share-based payments	(23,597)	7,059
Total other comprehensive income	37,505	33,511
Treasury shares	3,325	-
Change in Common equity tier 1 capital (CET1 capital)	1,003,605	-
Common equity tier 1 capital from subsidiaries	35,024	-
Hedging reserve	35,774	37,885
Intangible assets	(2,612,107)	(1,768,806)
Deferred tax liabilities, intangible assets	205,807	78,516
Deferred tax assets	(219,969)	(15,691)
Prudent valuation adjustments	(27,732)	(28,263)
Common equity tier 1 capital (net after deduction)	**3,640,026**	**3,509,818**
Additional tier 1 capital	783,072	334,802
Total tier 1 capital	**4,423,098**	**3,844,620**
Tier 2 capital		
Subordinated debt	1,119,820	360,672
Total tier 2 capital	**1,119,820**	**360,672**
Total capital	**5,542,918**	**4,205,292**
Risk exposure amounts		
Credit risk	6,786,804	3,069,572
Market risk	3,451,054	3,474,861
Operational risk	6,585,622	5,487,437
Total Risk exposure amounts	**16,823,480**	**12,031,870**
Common equity tier 1 ratio	21.6%	29.2%
Tier 1 capital ratio	26.3%	32.0%
Total capital ratio	32.9%	35.0%

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 2019 provides further information on the assesment of the regulatory capital and is available on Saxo Bank Group's website www.home.saxo/about-us/investor-relations.

CASH FLOW STATEMENT – SAXO BANK GROUP
AT 31 DECEMBER

Note	(DKK 1,000)	2019	2018
	Cash flow from operating activities		
	Profit before tax	109,469	1,028,961
	Tax paid	(104,158)	(121,973)
	Adjustment for non-cash operating items:		
	Income from associates and joint ventures	50	-
	Amortisation and impairment charges of intangible assets	480,794	263,919
	Depreciation and impairment charges of tangible assets	130,926	47,600
	Impairment charges loans and receivables etc.	9,397	12,973
	Other non-cash operating items	(720,893)	(789,836)
	Total	(94,413)	441,644
	Changes in operating capital:		
	Receivables from credit institutions and central banks	1,179,368	(563)
	Derivative financial instruments	692,654	(38,832)
	Loans and other receivables at amortised cost	331,894	(5,827)
	Bonds	4,764,376	(44,465)
	Other assets	855,507	(136,628)
	Debt to credit institutions and central banks	(1,093,210)	887,232
	Deposits	6,423,209	(545,648)
	Provisions and other liabilities	(212,022)	72,792
	Cash flow from operating activities	**12,847,363**	**629,705**
	Cash flow from investing activities		
25	Divestment of businesses	8,003	(2,187,728)
24	Acquisition of businesses	11,627,990	(2,107)
14	Investment in joint venture	(37,580)	-
	Acquisition of intangible and tangible assets	(504,902)	(526,008)
	Cash flow from investing activities	**11,093,511**	**(2,715,843)**
	Cash flow from financing activities [1)]		
23	Issued additional tier 1 capital included in equity, net of transaction costs	441,343	-
	Paid interest on additional tier 1 capital	(32,734)	(32,700)
22	Issuance of tier 2 capital, net of transaction costs	739,123	-
	Transactions with non-controlling interests	-	14,682
	Increase in share capital	1,003,211	-
	Cash payments related to leases	(52,792)	-
	Share based payments	(25,281)	-
	Treasury shares	3,325	7,430
	Cash flow from financing activities	**2,076,195**	**(10,588)**
	Net increase/(decrease) in cash and cash equivalents	26,017,069	(2,096,726)
	Cash and cash equivalents at 1 January	4,731,907	6,828,633
	Cash and cash equivalents at 31 December	**30,748,976**	**4,731,907**
	Cash and cash equivalents at 31 December		
	Cash in hand and demand deposits with central banks	24,276,476	2,960,272
	Amounts due from credit institutions and central banks within three months	6,472,500	1,771,635
	Cash and cash equivalents at 31 December	**30,748,976**	**4,731,907**

[1)] Cash and non-cash changes arising from financing activities are disclosed in note 22 Subordinated debt.

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 1 April 2020, the Board of Directors and Board of Management authorise the Annual Report for the financial year 2019 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 on 17 April 2020.

Saxo Bank Group has implemented standards and amendments applicable from 1 January 2019. Except for the implementation of IFRS 16 Leases and amendments to IAS 12 Income Taxes in the Annual Improvement 2015-2017 Cycle, the accounting policies are unchanged from those applied in the Annual Report for 2018.

The acquisition of the subsidiary BinckBank N.V. has implied that new accounting policies have been added, however this is not to be seen as a change in accounting policies.

Change in comparative figures
Comparative figures for 2018 have been changed:

- The acquisition of BinckBank in 2019 has implied some changes to the presentation in the statement of financial position for 2018.
- Accrued interest was in 2018 presented in Other assets and Other liabilities. The presentation is changed and the accrued interest is presented together with the asset/liability it is associated with.
- Changes due to amendment to IAS 12 Income tax.

Additionally certain changes have been made to the comparative figures for 2018 due to reclassifications.

Change in accounting policies
IFRS 16 Leases
Saxo Bank Group has 1 January 2019 implemented IFRS 16 Leases which changes the accounting principles for the Group's operational leases. IFRS 16 requires, for leases in which Saxo Bank Group is the lessee the Group to recognise a right-of-use asset and a lease liability in the statement of financial position for all operational leases with a few exceptions. In the income statement the leasing expense under IFRS 16 will consist of 2 elements: a depreciation charge and an interest expense, unlike the previous accounting rules where the annual leasing payments were recognised in Staff costs and administrative expenses. The standard is applied prospectively.

On implementation of IFRS 16, at 1 January 2019 Saxo Bank Group recognised right-of use-assets of DKK 187 million and lease liabilities of DKK 187 million. As a result, the impact on equity is DKK 0 million. Right-of-use assets are presented as Tangible assets and lease liabilities as Other liabilities.

Reconciliation of lease liability:

Operating lease commitments disclosed at 31 December 2018	**152,548**
Change in assessment of the lease term	89,160
Less short-term leases not recognised as a liability	(3,507)
Less low-value leases not recognised as a liability	(1,992)
Discount	(48,774)
Lease obligations recognised 1 January 2019	**187,435**

Lease assets consist mainly of office premises which are depreciated on a straight-line basis over the expected lease term of 2-10 years.

When assessing the expected lease term, Saxo Bank Group has identified the non-cancellable lease term of the agreement plus periods comprised by an extension option, which management with reasonable certainty expects to exercise. When measuring the lease liability, Saxo Bank Group has applied an incremental borrowing rate to discount future lease payments between 2%-10% p.a.

Amendment to IAS 12 Income Taxes
Saxo Bank Group has 1 January 2019 implemented the amendment to IAS 12 Income Taxes. The amendment implies the income tax impact of the distribution of interest on the Group's equity accounted Additional tier 1 capital has changed. The tax impact is recognised in the income statement instead of directly in equity as previously.

The net impact on equity 1 January 2019 is DKK 0 million as it is a reclassification between net profit and directly in equity. Comparative figures have been adjusted accordingly by recognising the tax impact through the income statement instead of directly in equity.

Note

1 Accounting policies · continued

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 2019 comprise Saxo Bank A/S and its subsidiaries (together referred to as "Saxo Bank Group" or "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 portfolio assets, equity instruments and derivatives and financial liabilities designated at fair value through profit and loss.

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 Saxo Bank A/S and subsidiaries controlled by Saxo Bank A/S. Control is achieved when Saxo Bank A/S is exposed to, 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 ownership interest in a subsidiary, without loss of control, are accounted for as equity transactions.

In case of loss of control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity. Any gain or loss is recognised in Other income and expenses. Any investment retained is recognised at fair value on initial recognition. Subsequently it is accounted for as an associate, joint venture or investment security depending on the level of influence retained.

Information on Saxo Bank Group entities is disclosed in note 35.

The consolidated financial statements have been prepared as a consolidation of the financial statements of Saxo Bank A/S and subsidiaries prepared according to Saxo Bank 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 Saxo Bank 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 Saxo Bank Group obtains control of the acquired entity. Businesses which are divested are recognised in the consolidated financial statements until the date of control ceases.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. 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.

If uncertainties exist at the acquisition date regarding identification or measurement of identifiable assets, liabilities and contingent liabilities or the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities or consideration are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up to 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill, and changes in estimates of contingent consideration relating to business combinations are recognised in Other income or Other expenses, net.

Any excess of the fair value of the consideration transferred over the fair value of the identifiable assets, liabilities and contingent liabilities assumed is recognised as goodwill in Intangible assets. If the excess is negative, a gain is recognised in the income statement. 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.

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.

For each business combination, Saxo Bank Group elects whether to measure the non-controlling interests at fair value or at the proportionate share of the identifiable net assets.

Acquisition-related costs are expensed when incurred.

Note

1 Accounting policies · continued

Non- controlling interests
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 recognised directly in 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 recognised directly in equity attributable to the shareholders of Saxo Bank A/S.

Divestments
Gains or losses on the divestment or winding-up of subsidiaries are measured as the difference between the consideration received adjusted for directly related costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying amount of goodwill and recycling of exchange rate adjustments recognised in translation reserve within equity. Any gain or loss is recognised in Other income or Other expenses.

Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when Saxo Bank Group has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to offset in the event of default. Such agreements reduce the exposure further in the event of default, but do not qualify for offsetting.

Foreign currency translation
A functional currency is determined for each of the reporting entities in Saxo Bank Group. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency of the respective Group entities are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the respective functional currencies of the Group entities 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.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date/or payment date and at the date the transaction arose or the exchange rate in the latest consolidated financial statements is recognised in the income statement as Foreign exchange rate adjustments.

On recognition in the consolidated financial statements of Saxo Bank Group entities with a functional currency other than the presentation currency (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 the translation reserve within equity. Foreign exchange differences arising on the translation of the proportionate share of joint ventures are likewise recognised in other comprehensive income and presented in the translation reserve within equity.

Foreign exchange adjustment of balances with foreign entities that are considered part of the investment in the entity is recognised in other comprehensive income.

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 reclassified and recognised in the income statement when the gain or loss on disposal is recognised.

Hedge accounting
Net investment hedge
Changes in the fair value of a derivative or a non-derivative financial liability designated as the hedging instrument in a hedge of a net investment in a foreign entity is recognised in other comprehensive income and presented in the translation reserve within equity. Changes in fair value relating to the ineffective portion is recognised immediately in the income statement. On complete or partial disposal of a foreign entity gains and losses accumulated within equity are reclassified and recognised in the income statement when the gain or loss on disposal is recognised.

Fair value hedge
Changes in the fair value of derivatives designated as fair value hedges are recognised in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meet the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is applied is amortised to the income statement over the period to maturity.

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

Note

1 Accounting policies · continued

Securities lending transactions
Securities lending and borrowing transactions are usually collateralised by securities or cash. The related securities in the borrowing or lending transaction are not recognised (borrowing transactions) or derecognised (lending transactions) on the statement of financial position. The collateral received or paid as securities is not recognised respectively derecognised on the statement of financial position. Collateral received or paid as cash is recognised in the statement of financial position as cash advanced (included in receivables from credit institutions and loans) or received (debt to credit institutions or debt to clients). Interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

INCOME STATEMENT

Interest, fees and commissions
Interest income and expenses are recognised in the period the interest is attributable to. Interest income and expense is recognised in the income statement, using the effective interest method for financial assets and financial liabilties measured at amortised cost. 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.

Negative interest received on financial liabilities is recognised as part of interest income.

Negative interest paid on financial assets is recognised as part of interest expense.

Received and paid fees and commissions result from trading with securities, 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 financial asset and liabilities at fair value, including realised and unrealised fair value adjustments and foreign exchange rate adjustments. The ineffective portion of the hedge accounting relation is recognised in price and exchange rate adjustments.

Other income
Other income includes income that is secondary to Saxo Bank 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 Saxo Bank 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
Saxo Bank 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, adjustments to contingent considerations etc. is recognised in Other expenses.

Impairment charges loans and receivables etc.
Impairment charges include losses and impairment for expected credit loss on receivables from credit institutions, loans, other receivables, guarantees and bonds at amortised cost.

Income taxes
Income tax comprises current tax and changes in deferred tax, including changes due to change in tax rate, and is recognised in income statement, other comprehensive income or equity.

Note

1 Accounting policies · continued

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 Saxo Bank Group has access at that date.

Saxo Bank 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.

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

Amortised cost measurement
The amortised cost is the amount at which the financial assets or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowance.

Financial instruments
Saxo Bank Group's financial assets are classified into the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Financial assets and liabilities are at initial recognition measured at fair value. The costs directly related to financial assets or liability classified as financial assets or liabilities measured at FVPL are recognised directly in the income statement. For financial assets and liabilities not measured at FVPL transactions cost that are directly attributable to the acquisition or issue of the financial asset or liability shall be included in the initial fair value.

Classification and subsequent measurement depend on Saxo Bank Group's business model for managing the financial asset and the contractual cash flow characteristics of the asset.

Based on these factors, Saxo Bank Group classifies its financial assets into one of the two following measurement categories:

Amortised cost:	Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interests ("SPPI"), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in Interest income using the effective interest rate method.
Fair value through profit and loss:	Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit and loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit and loss and not part of a hedging relationship is recognised in the income statement in Price and exchange rate adjustments.

Financial liabilities are subsequently measured at amortised cost, except from derivative financial liabilities and financial liabilities designated through profit and loss.

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

Financial assets and financial liabilities at fair value
Financial assets at fair value comprise trading portfolio bonds, listed securities, turbos, derivative financial instruments with positive fair value and unsettled spot transactions.

Saxo Bank Group manages performance of the trading portfolio bonds with the objective of realising cash flows through the sale of the assets and the portfolio is managed and evaluated on a fair value basis. The trading portfolio does not meet the criteria for amortised cost or FVOCI and are recognised and measured at FVPL.

Financial liabilities at fair value comprise of derivatives financial instruments with negative fair value, unsettled spot transactions and financial liabilities designated at FVPL.

Financial liabilities may be designated at fair value through profit and loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them with different principles.

Note

1 Accounting policies · continued

Financial assets and financial liabilities are measured at fair value by applying the fair value hierarchy level 1, level 2 and level 3, see page 48.

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.

Financial assets measured at amortised cost
Receivables from credit institutions and central banks, part of the bond portfolio and loans and other receivables are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interests ("SPPI"), and measured at amortised cost less expected credit loss.

Impairment on financial assets measured at amortised cost
Impairments for expected credit losses apply to Saxo Bank Group's financial assets recognised at amortised cost, loan commitments and financial guarantees.

The provision is determined on the basis of an expected credit loss model that is dependent on the extent to which the credit risk of the counterparty changes relative to the initial recognition of the asset.

At each reporting date all financial assets measured at amortised cost are assessed for changes in credit risk which could lead to adjustments to the expected credit loss on this financial asset or group of financial assets.

The most important characteristics of the models for determination of expected credit loss are explained in more detail in the Risk management note.

For financial assets recognised at amortised cost, expected credit losses are recognised in the income statement and set off against the asset in the statement of financial position. However, on loan commitments and financial guarantee contracts expected credit losses are recognised as a liability.

The impairment for expected credit loss follows a three-stage model:

Stage 1: If the credit risk has not increased significantly since initial recognition, the impairment equals an amount equal to 12 month expected credit losses.
Stage 2: If the credit risk has increased significantly since initial recognition, the financial assets are transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised.
Stage 3: If a financial asset is in default or otherwise credit-impaired, it is transferred to stage 3, which is the same as stage 2, except that interest income is recognised on the net carrying amount.

Financial assets at amortised cost are written off when there is no reasonable expectation of full or partial repayment. Writing off a receivable is, in principle, equal to its derecognition. Any cash flows received on written-off assets, where relevant, 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 Saxo Bank Group and not recognised in the consolidated statement of financial position.

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

Investments in joint ventures are measured in accordance with the equity method, which entails that the investments are measured at Saxo Bank Group's proportionate share of the net asset value of the joint ventures at the reporting date. Profit and loss from the investments in joint ventures represents the Group's share of the profit and loss after tax. The financials statements of the joint ventures are prepared according to Saxo Bank Group's accounting policies.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to Saxo Bank Group.

Long-term convertible loan notes (receivable) from joint ventures are measured at fair value at the reporting date and as it forms part of Saxo Bank Group's net investment in the joint venture, it is presented in the statement of financial position as part of Investment in joint ventures.

Note

1 Accounting policies · continued

Intangible assets
Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised.

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Subsequently, acquired trademarks with indefinite useful life are measured at cost less accumulated impairment losses. Trademarks with finite useful lives are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life, which is 1-2 years.

Client relationships acquired in a business combination are recognised at fair value at the acquisition date and subsequently at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the acquired portfolio, which is 5-10 years.

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 has been developed and ready for use, the cost is amortised on a straight-line basis over the estimated useful life of the assets, which are 3-5 years. The cost of development consists primarily of direct salaries and other directly attributable development costs. Expenses incurred in the planning phase are expensed when incurred.

Software purchased is measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the assets, which are 3-5 years.

Amortisation methods and useful life are reassessed at each reporting date and adjusted prospectively, if appropriate.

Impairment test
Goodwill is tested for impairment at least annually. 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.

Tangible assets
Domicile properties are properties occupied by Saxo Bank Group. Domicile properties are at initial recognition recognised at cost. Domicile properties acquired in a business combination are recognised at fair value at the acquisition date. Subsequently domicile properties are measured at revalued amount representing the fair value. Domicile properties are depreciated on a straight-line basis over the estimated useful life, however 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 a separate revaluation reserve within equity. If an increase 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 domicile properties is determined by applying an asset return model or observable market price. The asset return model includes the property's rental income and operating expenses. Operating expenses 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.

Leasehold improvements, fixtures, equipment and vehicles, IT equipment are measured at cost, less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis over the estimated useful life:

Domicile property in Denmark	50	years
Domicile property in the Netherlands	15	years
Leasehold improvements	5-10	years
Fixtures, equipment and vehicles	3-5	years
IT equipment	3-5	years

Domicile properties are depreciated on a straight-line basis on the basis of useful life, taking account of the residual value.

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 Depreciation, amortisation and impairment of intangible and tangible assets in the income statement.

Note

1 Accounting policies · continued

Leases from 1 January 2019
On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability, adjusted for prepaid lease payments, plus any initial direct costs and cost to restore the underlying asset, when it incurs an obligation for those costs. On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairments. The right-of use asset is depreciated over the shorter of the lease term and the useful life of the asset. Depreciation charges are recognised in the income statement on a straight-line basis. The right-of-use asset is adjusted for changes in the lease liability.

On initial recognition, the lease liability is measured at the present value of the future lease payments, discounted using an incremental borrowing rate. When assessing the expected lease term, non-cancellable lease terms of the agreements plus periods comprised by an extension option, which management with reasonable certainty expects to exercise, are considered. The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is subsequently measured by increasing the carrying amount, to reflect interest and by reducing the carrying amount to reflect the lease payments made. Further lease liabilities are changed when remeasurements are needed.

Saxo Bank Group presents the right-of-use asset and lease liabilities as part of the Group's Tangible assets and Other liabilities.

Saxo Bank Group recognises a right-of-use asset and a lease liability for all lease agreements except for short-term leases (lease term of 12 month or less) and leases of low value assets. Lease payments on lease of underlying assets with low value or short-term are recognised in the income statement when incurred

Leases before 1 January 2019
Before 1 January 2019 the annual leasing payments related to operational leases were recognised in Staff costs and administrative expenses.

Pension plans
Saxo Bank Group has entered into retirement benefits schemes and similar arrangements with the majority of Saxo Bank Group's employees.

Contributions to defined contribution pension 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 pension plans an annual actuarial calculation is made of the present value of future benefits under the defined benefit pension plan. For defined benefit pension plans, Saxo Bank 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 if Saxo Bank Group, as a result of a past event has a present legal or a constructive obligation and it is probable that an out- flow of economic benefits will be required to settle the obligation. The costs required to settle the obligation are discounted if this significantly impacts the measurement of the liability.

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

Other assets and liabilities
Saxo Bank Group uses quantitative and qualitative materiality considerations when aggregating line items in the statement of financial position that are not considered individually material. Such line items are presented under Other assets or Other liabilities including net assets or net liabilities in defined benefit pension plans, rent deposits, lease liabilities etc.

Tax
Deferred tax comprises temporary differences between the accounting and the tax values of assets and liabilities and is measured in accordance with the liability method. Deferred tax is adjusted for elimination of unrealised group internal profit and losses. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combination, arose at the time of acquisition without affecting either the Net profit or the taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the assets or settlement of the liability. Deferred tax is measured according to the tax regulations and tax rates in the respective countries enacted or substantively enacted at the end of the reporting date.

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 Saxo Bank Group has a legal right to offset these, intends to settle these on a net basis or to realise the assets and settle the liabilities, simultaneously.

Note

1 Accounting policies · continued

Shareholders' equity
Share premium
The share premium comprise share premium paid in at capital increase.

Translation reserve
The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities on or after 1 January 2010. The reserve also comprises foreign exchange differences arising from the translation of derivative financial instruments which hedge Saxo Bank 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.

Dividends
Dividends are recognised as a liability at the date 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 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 obligation arises. If Saxo Bank A/S chooses to redeem the bonds, equity will be reduced by the redemption amount at the date of redemption.

The income tax impact of the distribution of interest on Saxo Bank Group's equity accounted Additional tier 1 capital is recognised in the income statement.

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

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 Saxo Bank Group for the year ended 31 December 2019:

- IFRS 17: Insurance contracts
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3: Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards

Saxo Bank 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.

Note

2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires, in some cases, the use of judgements and estimates by management, that form the basis of presentation, recognition and measurement of Saxo Bank Group's assets, liabilities, income and expenses.

The estimates and judgements made are based on historical experience and other factors that management assesses to be reasonable, but by nature, are associated with uncertainty and unpredictability. The assumptions may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Critical estimates and judgements have the most impact on the consolidated financial statements in the following areas:

- classification of financial instruments
- fair value measurement of financial instruments
- measurement of expected credit loss on financial assets at amortised cost
- measurement of goodwill and other intangible assets
- disposal of intellectual property rights

Classification of financial instruments
Saxo Bank Group carries out a business model and SPPI test (solely payments of principal and interests) for the classification of financial assets. It is assessed how of the financial instruments are managed, the objective of holding the instruments and the risks associated with holding financial instruments. This assessment involves a degree of judgement.

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 derivative financial instruments with positive value, unlisted equity instruments and convertible loan notes for which there is no active market, are subject to estimates.

Classification and measurement method of financial instruments within the fair value hierarchy are disclosed in note 29 Classifications and measurement of financial instruments and in note 14 Investments in joint ventures information on the fair value of the convertible loan notes is disclosed.

Measurement of expected credit loss on financial assets at amortised cost
The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly the impairment charge equals the lifetime expected credit losses (stages 2 and 3). In determining the impairment for expected credit losses, management exercises judgement and uses estimates and assumptions.

The Risk management note provides more details on credit exposure and expected credit losses at 31 December 2019.

Measurement of goodwill and other intangible assets
In connection with acquisition of BinckBank N.V. identification and measurement of the fair value of especially intangible assets is subject to estimates and judgement, as the existence of intangible assets is not evident and significant uncertainty exists on expected cash flows, the discount rate, the expected useful life etc. for trademarks and client relationships acquired.

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 of DKK 100 million is recognised in 2019 (2018: 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 2019 impairment losses related to other intangible assets of DKK 86 million (2018: DKK 1 million) are recognised.

Note 15 Intangible assets provides more information on the intangible assets acquired and note 16 Impairment test provides more information on impairment test.

Disposal of intellectual property rights
In 2019 Saxo Bank A/S has disposed certain intellectual property rights. In the assessment of how the disposal should be accounted for, Saxo Bank Group considers whether and when the buyer can benefit from intellectual property rights on its own independent of any other activities carried out by Saxo Bank A/S. It has been concluded that intellectual property rights have a significant current functionality upon delivery and that buyer can benefit from that functionality upon the point-in-time where a binding contract is entered into between the parties, the intellectual property is delivered and the buyer has the right to use it, thus the disposal is recognised in 2019.

Note	(DKK 1,000)	2019	2018
3	**Interest income**		
	Credit institutions and central banks	108,136	102,322
	Bonds at amortised cost	10,113	-
	Loans and other receivables	104,372	20,537
	Total interest income calculated using the effective interest method	**222,621**	**122,859**
	Bonds at fair value	214,699	219,284
	Derivative financial instruments	1,104,261	1,394,655
	Other interest income	1,715	3,883
	Total other interest income	**1,320,675**	**1,617,822**
	Total interest income	**1,543,296**	**1,740,681**
	Interest received due to negative interest rates DKK 11 million (2018: 10 million) is recognised as interest income.		
4	**Interest expense**		
	Credit institutions and central banks	(75,375)	(55,337)
	Deposits	(57,497)	(25,476)
	Subordinated debt	(74,800)	(53,268)
	Interest expense leases	(11,804)	-
	Total interest expense calculated using the effective interest method	**(219,476)**	**(134,081)**
	Derivative financial instruments	(85,850)	(189,218)
	Other interest expense	(71)	(245)
	Total other interest expense	**(85,921)**	**(189,463)**
	Total interest expense	**(305,397)**	**(323,544)**
	Interest paid due to negative interest rates DKK 50 million (2018: DKK 11 million) is recognised as interest expense.		
5	**Fee and commission income**		
	Trading with securities and derivative financial instruments	1,670,642	1,402,854
	Origination fees	-	9,154
	Asset management fees	25,322	2,278
	Other fee and commission income	42,326	27,350
	Total fee and commission income	**1,738,290**	**1,441,636**
6	**Fee and commission expense**		
	Trading with securities and derivative financial instruments	(995,925)	(852,677)
	Other fee and commisison expenses	(6,266)	(9,395)
	Total fee and commission expense	**(1,002,191)**	**(862,072)**
7	**Price and exchange rate adjustments**		
	Bonds at fair value	(160,650)	(175,428)
	Securities	20,414	3,470
	Foreign exchange	554,433	674,464
	Derivative financial instruments[1)]	223,219	286,862
	Total price and exchange rate adjustments	**637,416**	**789,368**

[1)] Other than foreign exchange.

Note	(DKK 1,000)	2019	2018
8	**Other income**		
	Gain from disposal of intellectual property rights	638,181	-
	Gain on divestments	-	802,959
	Other	77,332	271
	Total other income	**715,513**	**803,230**

Note 14 Investments in joint ventures provides more information on gain from disposal of intellectual property rights and note 25 Divestments provides more information on gain on divestments.

Note	(DKK 1,000)	2019	2018
9	**Staff costs and administrative expenses**		
	Staff costs	(1,372,445)	(1,129,335)
	Administrative expenses	(1,209,777)	(1,080,639)
	Total staff costs and administrative expenses	**(2,582,222)**	**(2,209,974)**
	Staff costs		
	Salaries	(1,373,087)	(1,133,687)
	Share-based payments	(1,683)	370
	Defined benefit pension plans	(5,726)	(5,177)
	Defined contribution pension plans	(93,789)	(83,386)
	Social security expenses and financial services employer tax	(163,574)	(137,896)
	Staff costs transferred to software under development	265,414	230,441
	Total staff costs	**(1,372,445)**	**(1,129,335)**
	Number of full-time-equivalent staff (average)	**2,224**	**1,633**

Note 34 provides information on Remuneration of management and significant risk takers.

Pension plans

Most of Saxo Bank Group's pension plans are defined contribution plans under which Saxo Bank Group pays contributions to independent insurance companies responsible for the pension obligation towards the employees. In these plans Saxo Bank 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.

Saxo Bank Group has entered into defined benefit pension 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 2019, the net present value of obligations related to the defined benefit pension plans was DKK 114 million (2018: DKK 99 million), and the fair value of plan assets was DKK 74 million (2018: DKK 62 million). The present value of obligations under defined benefit pension plans less the fair value of pension assets is recognised in Other liabilities. The net liabilities in the pension plan amounted to DKK 40 million (2018: DKK 37 million). Saxo Bank 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 in 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.

Saxo Bank Group expects to pay DKK 4 million in contribution to defined benefit pension plans during 2020 (2019: DKK 5 million).

Note	(DKK 1,000)	2019	2018
10	**Audit fees**		
	Audit firm appointed by the general meeting:		
	Fees for statutory audit of the consolidated and parent company financial statements	(4,099)	(3,426)
	Fees for other assurance engagements	(1,655)	(1,305)
	Fees for tax advisory services	(921)	(1,268)
	Fees for other services	(577)	(959)
	Total audit fees	**(7,252)**	**(6,958)**

At the general meeting in 2019, Deloitte Statsautoriseret Revisionspartnerskab was appointed as external auditors and replaced Ernst & Young P/S.

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerskab for Saxo Bank Group covers various assurance reports, including report on business controls and IT security.

Fees for non-audit services provided by Ernst & Young P/S for Saxo Bank Group cover various assurance reports, including report on business controls and IT security, review procedures with respect to recognition of profit in core capital, financial due diligence services and other general accounting and tax advisory services.

Note		2019	2018
11	**Tax**		
	Reconciliation of effective tax rate		
	Profit before tax	109,469	1,028,961
	Tax using the Danish tax rate 22%	(24,083)	(226,371)
	Effect of tax rates in foreign jurisdictions	(5,241)	(8,252)
	Changes in deferred tax from change in tax rate	(8,906)	3,111
	Impairment	(219)	(841)
	Non tax-deductible expenses (acquisition costs, impairment on goodwill etc.)	(45,512)	(19,428)
	Tax-exempt income (disposal of shares, etc.)	2,560	179,401
	Non exempted withholding tax and other taxes	(1,398)	(4,459)
	Tax on interest recognised directly in equity	7,972	7,182
	Adjustments to tax previous years	5,034	3,642
	Total income tax recognised in income statement	**(69,793)**	**(66,015)**
	Effective tax rate	**63.8%**	**6.4%**

Note (DKK 1,000)

11 Tax · continued

2019	Income statement	Other comprehensive income	Total
Current tax	(88,867)	(743)	(89,609)
Changes in deferred tax for the year	24,344	12,947	37,291
Changes in deferred tax from change in tax rate	(8,906)	-	(8,906)
Non exempted withholding tax and other taxes	(1,398)	-	(1,398)
Adjustment to tax previous years	5,034	-	5,034
Total	**(69,793)**	**12,204**	**(57,588)**

2018	Income statement	Other comprehensive income	Total
Current tax	(78,116)	903	(77,213)
Changes in deferred tax for the year	9,807	390	10,197
Changes in deferred tax from change in tax rate	3,111	-	3,111
Non exempted withholding tax and other taxes	(4,459)	-	(4,459)
Adjustment to tax previous years	3,642	-	3,642
Total	**(66,015)**	**1,293**	**(64,722)**

Tax recognised in Other comprehensive income

2019	Before tax	Tax	Net of tax
Exchange rate adjustments	81,346	-	81,346
Hedge of net investments in foreign entities	(57,590)	12,670	(44,920)
Fair value adjustment of cash flow hedges	2,854	(743)	2,111
Remeasurement of defined benefit pension plans	(1,309)	277	(1,032)
Total	**25,301**	**12,204**	**37,505**

2018	Before tax	Tax	Net of tax
Exchange rate adjustments	41,867	-	41,867
Hedge of net investments in foreign entities	(15,087)	3,319	(11,768)
Items reclassified to income statement	233	(749)	(516)
Fair value adjustment of cash flow hedges	7,051	(1,667)	5,384
Remeasurement of defined benefit pension plans	(1,846)	390	(1,456)
Total	**32,218**	**1,293**	**33,511**

Note	(DKK 1,000)	2019	2018
11	**Tax · continued**		
	Deferred tax assets and deferred tax liabilities		
	Deferred tax at 1 January, net	(12,330)	(25,603)
	Additions from aquisitions	(147,917)	-
	Disposals from divestments	-	(1,457)
	Change in deferred tax for the year	37,291	10,197
	Change in deferred tax from change in tax rate	(8,906)	3,111
	Adjustments to tax previous years	1,159	680
	Exchange rate adjustments	544	742
	Deferred tax at 31 December, net	**(130,159)**	**(12,330)**

	Deferred tax assets		Deferred tax liabilities		Total deferred tax	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Intangible assets	(1,885)	-	(191,632)	(78,516)	(193,517)	(78,516)
Tangible assets	-	-	(53,923)	(2,952)	(53,923)	(2,952)
Tax losses carried forward	23,052	15,691	196,917	-	219,969	15,691
Deferred income	-	-	(246,741)	-	(246,741)	-
Provisions	16,308	13,574	127,745	39,873	144,053	53,447
Total	**37,475**	**29,265**	**(167,634)**	**(41,595)**	**(130,159)**	**(12,330)**

Deferred tax assets and liabilities are offset in the consolidated statement of financial position, if Saxo Bank Group has legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilitites relate to income taxes levied by the same legal tax entity.

Deferred tax assets DKK 220 million (2018: DKK 16 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 (2018: DKK 12 million) have expiry date 31 December 2022.

Note		2019	2018
12	**Financial assets and financial liabilities at fair value**		
	Listed bonds	20,802,540	22,008,644
	Listed securities	122,298	-
	Derivative financial instruments with positive fair value	4,542,765	4,621,789
	Total financial assets at fair value	**25,467,603**	**26,630,433**
	Derivative financial instruments with negative fair value	2,248,494	1,724,743
	Financial liabilities designated at fair value	7,941	-
	Total financial liabilities at fair value	**2,256,435**	**1,724,743**

Note	(DKK 1,000)	2019	2018
13	**Loans and other receivables at amortised cost**		
	Mortgages collateralised by residential property	5,623,211	-
	Loans collateralised by securities	4,172,869	-
	Loans collateralised by bank guarantees	28,252	-
	Other loans and receivables	106	138
	Accrued interest	39,530	-
	Total loans and other receivables at amortised cost before hedge accounting	**9,863,968**	**138**
	Fair value adjustment due to hedge accounting - mortgages	19,285	-
	Total loans and other receivables at amortised cost	**9,883,253**	**138**
14	**Investments in joint ventures**		

Saxo Bank A/S owns 50% of the shares in Saxo Geely Tech Holding A/S established in December 2019, which is a jointly controlled entity. The purpose of the joint venture is to hold shares in entities established to provide financial and regulatory technology solutions to financial institutions in China such as banks and fintechs.

Summarised financial information for Saxo Geely Tech Holding A/S:

	2019	2018
Income statement		
Net profit	(100)	-

The joint venture had no revenue in 2019.

	2019	2018
Statement of financial position		
Current assets (Cash)	74,720	-
Non-current assets (Intangibles assets)	2,241,600	-
Current financial liabilities	(560,329)	-
Non-current financial liabilities	(1,681,371)	-
Equity	**74,620**	**-**

The amounts disclosed represents 100% share before intercompany elimination.

	2019	2018
Carrying amount of investments in joint ventures		
50% share of the equity in the joint venture	37,310	-
Fair value of convertible loan notes	893,863	-
Intercompany elimination	(350,743)	-
Total investments in joint ventures	**580,430**	**-**

Saxo Bank A/S has in 2019 disposed certain intellectual property rights to Saxo Geely Tech Holding A/S. The consideration for the transferred rights comprise three loan notes. One loan note of DKK 280 million has been repaid in 2020 and is presented in Other assets, note 18. The other two loan notes are with conversion rights. Under certain circumstances Saxo Bank A/S shall be entitled, but not obliged to subscribe for new shares in Saxo Geely Tech Holding A/S by debt conversion of the convertible loan notes. After deduction of the carrying amount of the intellectual property rights disposed and elimination of 50% the disposal has resulted in a gain of DKK 638 million that are recognised in the income statement in Other income.

The convertible loan notes are measured at fair value based on unobservable inputs (level 3) by using a discounted cash flow model. The key input in the valuation model is the discount rate of 15%. The conversion will be at fair value hence the fair value of the conversion right is insignificant. Had a discount rate of 10% been applied the gain from the disposal would have been DKK 72 million higher and had a discount rate of 20% been applied the gain from the disposal would have been DKK 45 million lower.

Note (DKK 1,000)

15 Intangible assets

Saxo Bank Group's software under development and software developed mainly relates to online trading and investment platforms, which is the core business of Saxo Bank Group.

Client relationships and trademarks mainly relates to the acquisition of BinckBank N.V.

2019	Goodwill[1]	Software under development	Software developed	Software purchased	Client relationships	Trademarks	Total
Cost at 1 January	1,001,853	121,908	2,454,262	99,428	35,295	-	3,712,746
Additions from acquisitions	437,811	-	-	8,331	383,491	23,541	853,174
Additions	-	546,623	-	19,000	-	-	565,623
Transfers from internal development	-	(544,856)	512,966	-	-	-	(31,890)
Disposals	-	-	(454,207)	(4,798)	-	-	(459,005)
Exchange rate adjustments	20,605	-	-	566	1,762	25	22,958
Cost at 31 December	**1,460,269**	**123,675**	**2,513,021**	**122,527**	**420,548**	**23,566**	**4,663,606**
Amortisation and impairment at 1 January	(86,473)	-	(1,740,760)	(84,320)	(32,387)	-	(1,943,940)
Amortisation	-	-	(265,601)	(6,170)	(16,819)	(6,063)	(294,653)
Impairment losses	(100,000)	-	(85,112)	(1,029)	-	-	(186,141)
Disposals	-	-	274,853	3,589	-	-	278,442
Exchange rate adjustments	-	-	(6)	(138)	(1,116)	-	(1,260)
Amortisation and impairment at 31 December	**(186,473)**	**-**	**(1,816,626)**	**(88,068)**	**(50,322)**	**(6,063)**	**(2,147,552)**
Carrying amount at 31 December	**1,273,796**	**123,675**	**696,395**	**34,459**	**370,226**	**17,503**	**2,516,054**

2018	Goodwill[1]	Software under development	Software developed	Software purchased	Client relationships	Trademarks	Total
Cost at 1 January	990,109	20,438	2,215,959	101,505	60,523	-	3,388,534
Additions	-	426,685	-	12,070	2	-	438,757
Transfers from internal development	-	(301,669)	301,669	-	-	-	0
Disposals	(11,289)	(23,546)	(63,342)	(14,677)	(26,212)	-	(139,066)
Exchange rate adjustments	23,033	-	(24)	530	982	-	24,521
Cost at 31 December	**1,001,853**	**121,908**	**2,454,262**	**99,428**	**35,295**	**-**	**3,712,746**
Amortisation and impairment at 1 January	(86,473)	-	(1,540,596)	(92,932)	(50,823)	-	(1,770,824)
Amortisation	-	-	(252,650)	(3,412)	(6,588)	-	(262,650)
Impairment losses	-	-	(1,282)	-	-	-	(1,282)
Disposals	-	-	53,748	12,349	26,026	-	92,123
Exchange rate adjustments	-	-	20	(325)	(1,002)	-	(1,307)
Amortisation and impairment at 31 December	**(86,473)**	**-**	**(1,740,760)**	**(84,320)**	**(32,387)**	**-**	**(1,943,940)**
Carrying amount at 31 December	**915,380**	**121,908**	**713,502**	**15,108**	**2,908**	**-**	**1,768,806**

[1] Note 16 Impairment test provide more details on goodwill.

In 2019, Saxo Bank Group expensed DKK 30 million (2018: DKK 21 million) for development projects, primarily planning costs.

Note (DKK 1,000)

16 Impairment test

Goodwill
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. The key assumptions are revenue growth and discount rate.

The cash flow projections are based on earnings estimate for each of the CGUs for a 5-year forecast period. Budget for 2020 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 1.00% 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 2020, the estimated earnings from 2021 and 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.

Regulatory capital requirements are considered when estimating dividends. 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.

Key assumptions applied in the impairment test for CGUs with significant goodwill are disclosed below.

2019	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
BinckBank N.V.	436,954	-	-	-
Saxo Bank (Schweiz) AG	278,987	0.30%	7.50%	8.21%
Nordic activities	246,939	1.36%	8.50%	10.53%
Other	310,916	-	-	-
Total	**1,273,796**			

2018	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
Saxo Bank (Schweiz) AG	366,552	0.34%	7.00%	8.78%
Nordic activities	246,939	1.77%	8.50%	10.35%
Other	301,889	-	-	-
Total	**915,380**			

Goodwill BinckBank N.V.
BinckBank N.V. is acquired in 2019. The purchase price allocation shows acquired net assets at a fair value of DKK 2,667 million and related goodwill is determined at DKK 438 million. The carrying amount of goodwill related to BinckBank N.V. represents 34% of the total goodwill. Goodwill mainly relates to the expertise and insight of acquired workforce, access to new markets as well as the expected synergies from the acquisition, see note 24 Acquisition of businesses for further details.

The initial allocation of goodwill related to BinckBank N.V. has not been completed at year end, as integration of the business and the assessment of which CGUs will benefit from the acquisition of BinckBank N.V. and to what extent is still in process. Thus, currently, goodwill related to the acquisition of BinckBank N.V. is entirely presented under the CGU BinckBank N.V. According to IFRS, allocation of goodwill shall be completed before the end of the first year after the acquisition.

As allocation of goodwill to CGUs has not been completed no impairment test has been carried out. Instead Saxo Bank Group has considered whether there are any indications that goodwill related to BinckBank N.V. is impaired. This includes a reassessment at year end of the business case for BinckBank N.V., prepared when acquiring the entity. No significant changes in the business or assumptions made at acquisition have taken place since acquisition, hence, no indication of impairment exists at 31 December 2019.

At the time the allocation of goodwill is complete an impairment test will be performed for each CGU to which goodwill is allocated.

Note (DKK 1,000)

16 Impairment test · continued

Impairment result

Goodwill to Saxo Bank (Schweiz) AG
The impairment tests in 2019 resulted in recognition of an impairment loss of DKK 100 million (2018: DKK 0 million) on goodwill relating to the investment in Saxo Bank (Schweiz) AG, mainly attributable to a decrease in revenue. Following the impairment loss of DKK 100 million the recoverable amount of the investment in Saxo Bank (Schweiz) AG does not exceed the carrying amount of the investment. The recoverable amount of goodwill is DKK 279 million as of 31 December 2019 based on value in use calculation. A discount rate of 7.50% post tax is applied.

The carrying amount of goodwill related to Saxo Bank (Schweiz) AG represents 22% (2018: 40%) of the total goodwill. In the impairment test a revenue growth of 7% year in 2020 and an annual revenue growth year on year for 2021-2024 between 11-14% is applied. Due to restructuring in 2019 and cost savings, the costs are expected to decrease 19% in 2020 compared to 2019. From 2021-2024 the costs increase with 5-6% year on year to substantiate the future revenue increase. In the terminal period a growth rate of 0.30% is applied.

A sensitivity analysis shows that if the growth in revenue for the forecast period 2021-2014 decline to 7% year on year it would indicate an additional impairment of DKK 180 million or if the discount rate post tax increase from 7.50% to 8.00% it would indicate an additional impairment of DKK 40 million all other things being equal.

Goodwill Nordic activities
The carrying amount of goodwill related to Nordic activities represents 19% (2018: 27%) of the total goodwill. In the impairment test a revenue growth of 5% in 2020 and 1% increase in net profit year on year for 2021-2024 is applied. In the terminal period a growth of 1.36% is applied. A sensitivity analysis shows that if the growth rate in net profit decline with 10% year on year for 2021-2024 all other things being equal the excess value would still be positive or if the discount rate post tax increases from 8.50% to 19.60% all other things equal the excess value would be zero.

Other
The carrying amount of Other goodwill represents 25% (2018: 33%) of the total goodwill. Other goodwill mainly relates to Group entities in United Kingdom, France, India and the Netherlands. Discount rates between 8.20%-10.17% and a growth rate in the terminal period between 1.36%-2.44% are applied for other goodwill.

Impairment - Intangible assets other than goodwill
Other intangible assets than goodwill are tested, if indications of impairment.

In 2019 impairment losses of DKK 86 million (2018: DKK 1 million) are recognised, related to a number of investments in software due to change in future use and uncertainties related to future economic benefit. The recoverable amount of the impaired software is DKK 206 million.

Note (DKK 1,000)

17 Domicile properties and other tangible assets

The carrying amount of tangible assets amounts to DKK 1,412 million (2018: 790 DKK million) of which DKK 1,058 million (2018: DKK 647 million) relates to Saxo Bank Group's domicile properties.

Through the acquisition of BinckBank N.V. in 2019 Saxo Bank Group has acquired a domicile property with a fair value of DKK 429 million at the acquisition date. The fair value is determined by an independent valuer. A rate of return of 5.97% is applied in the valuation. The carrying amount of the property is at 31 December 2019 DKK 423 million.

The fair value of Saxo Bank Group's headquarter domicile property rely on non-observable input and is 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 rate of return applied is 5.07% (2018: 5.66%). No revaluation has taken place in 2019 or 2018. The carrying amount of the property is at 31 December 2019 DKK 635 million (2018: DKK 647 million). If the property was carried under the cost method, the carrying amount would have amounted to DKK 567 million (2018: DKK 579 million).

The value of domicile properties decreases with DKK 118 million (2018: DKK 56 million) if the rate of return increases with 0.5 percentage point.

Right-of-use assets

2019	**Total**
Cost at 1 January (opening balance IFRS 16)	187,435
Additions from acquisitions	27,317
Additions	42,288
Modifications	(3,818)
Disposals	(23,613)
Exchange rate adjustments	200
Cost at 31 December	**229,809**
Depreciation at 1 January	-
Depreciations:	
Premises	(44,053)
Other tangible assets	(4,810)
Disposals	5,387
Exchange rate adjustments	(192)
Depreciation at 31 December	**(43,668)**
Carrying amount at 31 December	**186,141**

Carrying amount of DKK 186,141 comprises DKK 164,566 related to office premises and DKK 21,575 related to other tangible assets.

IFRS 16, the new accounting standard on leases, is applied from 1 January 2019. Comparative figures are not restated as disclosed in note 1.

Saxo Bank Group is the lessee in a number of operating leases, involving mainly leasing of office premises and cars. The average lease term is 3 years. When assessing the expected lease term, Saxo Bank Group has identified the non-cancellable lease term of the agreement plus periods comprised by an extension option, which management with reasonable probability expects to exercise. When measuring the lease liability, Saxo Bank Group has applied an incremental borrowing rate to discount future lease payments between 2%-10% p.a.

At 31 December 2019, the lease liability amounts to DKK 200 million, with DKK 52 million with maturity within one year, DKK 99 million with maturity from one to five years and DKK 49 million with maturity above 5 years.

In 2019 expenses relating to leases of low value assets and to short-term leases amounts to DKK 5 million.

As of 31 December 2019 Saxo Bank Group had not entered into any material lease agreements not commenced by year-end.

2018
Operating lease expenses recognised in the income statement in 2018 amounts to DKK 58 million.

Note	(DKK 1,000)	2019	2018
18	**Other assets**		
	Accrued commissions	84,900	-
	Interest swaps (fair value hedge)	8,145	-
	Receivables relating to unsettled trades with brokers	4,237	-
	Cash flows to be settled - mortgages	72,730	-
	Prepayments	189,667	126,568
	Rent deposits	32,133	28,410
	Investment securities	7,756	32,283
	Receivables related to joint venture (Loan note)	280,199	-
	Other receivables	90,017	292,860
	Total other assets	**769,784**	**480,121**
19	**Deposits**		
	Demand deposits, trading clients	57,742,735	21,370,224
	Demand deposits, saving accounts	1,564,883	-
	Pension funds	977	-
	Accrued interests	2,478	-
	Total deposits	**59,311,073**	**21,370,224**
	Deposits on demand included DKK 3,127 million (2018: DKK 3,310 million) required by the Saxo Bank Group as collateral for unrealised client trading positions as at 31 December, see note 28 Offsetting financial assets and liabilities.		
20	**Other liabilities**		
	Suppliers and other outstanding costs	402,425	239,521
	Staff commitments	297,008	204,971
	Lease liabilities	199,891	-
	Interest swaps (cash flow hedge)	55,940	59,319
	Interest swaps (fair value hedge)	48,455	-
	Defined benefit pension plans	40,483	36,625
	Provision for guarantees	19,970	19,970
	Other obligations	12,154	1,127
	Total other liabilities	**1,076,326**	**561,533**
21	**Provisions**		
	Provisions at 1 January	176,908	158,977
	Additions from acquisition	40,332	-
	Additional provisions recognised	102,807	26,345
	Used during the year	(12,703)	(8,381)
	Reversal of unused provisions	(5,384)	(332)
	Exchange rate adjustments	447	299
	Total provisions at 31 December	**302,407**	**176,908**
	The provision comprises litigations, claims and restructuring costs including costs for reorganisation of Saxo Bank Group's operations as well as various other obligations incurred in the normal course of business such as provision for onerous contracts etc.		

Note	(DKK 1,000)											2019	2018
22	**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	2015	14 April 2025	Fixed/ EURIBOR[1]	14.40%	0.25	12.00%	4.75	12.30%	5.00		370,885	360,672
	EUR	2019	3 July 2029	Fixed/ EUR mid swap rate	5.50%	5.00	EUR mid swap rate plus 5.716%	5.00	-	-		740,790	-
	Accrued interest on subordinated debt											19,735	9,619
	Fair value adjustment due to hedge accounting [2]											8,145	-
	Total subordinated debt											**1,139,555**	**370,291**

[1] Fixed interest apply in first and second margin period and EURIBOR apply in third margin period.
[2] See note 30 Hedge accounting.

In 2019, Saxo Bank A/S has issued for nominal EUR 100 million Subordinated tier 2 notes with maturity date 3 July 2029. The tier 2 notes can be optionally redeemed by Saxo Bank A/S from 3 July 2024. The tier 2 notes are eligible to constitute tier 2 capital of Saxo Bank A/S under CRR. Transaction costs related to the issue amounts to DKK 2 million in 2019.

Saxo Bank A/S issued in 2015 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 CRR. Early redemption of subordinated debt of EUR 50 million has been approved by the Danish FSA in 2020.

The tier 2 notes issued in 2015 will fully or partially be converted to ordinary shares if the CET1 capital ratio of Saxo Bank A/S or Saxo Bank Group falls below 7% if write-down of CET1 capital or conversion of Additional tier 1 or higher-tricker tier 2 instruments into ordinary shares is insufficient to restore the CET1 capital ratio above 7%. Capital ratios for Saxo Bank 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 Saxo Bank 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 23 Equity provides information on Additional tier 1 capital accounted for as equity.

	2019	2018
Cash and non-cash changes		
Subordinated debt at 1 January	370,291	351,131
Issuance of tier 2 capital, net of transactions costs	739,123	-
Fair value adjustment due to fair value hedge	8,145	-
Amortisation	10,678	8,547
Accrued interest on subordinated debt	10,116	9,619
Exchange rate adjustments	1,202	994
Total subordinated debt at 31 December	**1,139,555**	**370,291**

Note	(DKK 1,000)	2019	2018
23	**Equity**		
	Number of shares outstanding		
	Shares issued 1 January	68,283,943	68,283,943
	Shares issued during the year	6,923,506	-
	Total shares issued at 31 December	**75,207,449**	**68,283,943**
	Holding of treasury shares	44,774	67,706
	Total shares outstanding at 31 December	**75,162,675**	**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 2018	67,706	67,706	0.10%	-
Purchased/sold	-	-	-	-
Holding at 31 December 2018	**67,706**	**67,706**	**0.10%**	**-**
Purchased/sold	(22,932)	(22,932)	-0.03%	(3,325)
Holding at 31 December 2019	**44,774**	**44,774**	**0.07%**	**-**

No dividend has been declared and paid to shareholders of Saxo Bank A/S in 2019 or 2018.

In August 2019 6,923,506 ordinary shares were issued with a total proceed net of transactions costs of DKK 1,003 million. Share capital increased with DKK 6.9 million and DKK 996 million has been recognised as share premium within Equity.

The warrants issued to shareholders of Saxo Bank A/S in 2018 entitled the holder to subscribe for up to nominally DKK 1,770,000 shares in Saxo Bank A/S. The warrants have been exercised in 2019 with an exercise price of EUR 19.40 per share with a nominal value of DKK 1.

For warrants issued as part of remuneration, see note 34.

Additional tier 1 capital

Currency	Year of issue	Maturity	Interest	Nominal	Rate	Years	2019	2018
EUR	2014	Perpetual	Fixed[1)]	45,000	9.750%	5.25	334,802	334,802
EUR	2019	Perpetual	Fixed[2)]	60,000	8.125%	5.50	448,270	-
Accrued interest on additional tier 1 capital							14,691	11,189
Total additional tier 1 capital							**797,763**	**345,991**

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.
2) The interest rate is fixed the first five years and six months after issuance. Hereafter the interest rate is fixed every fifth year at the 5-year mid-swap rate plus 8.482% until redemption.

Equity accounted Additional tier 1 capital translated into DKK at the applicable exchange rates at 31 December 2019 amounts to DKK 785 million (2018: DKK 336 million).

The Perpetual Fixed Rate Resettable Additional tier 1 capital notes are perpetual securities and have no fixed date for redemption. The notes issued in 2019 can be optionally redeemed by Saxo Bank A/S on the first call date 26 May 2025 or on any interest payment date herafter. Thereafter at their outstanding principal amount. The notes issued in 2014 has been optionally redeemed by Saxo Bank A/S on the first call date 26 February 2020.

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.

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

Note (DKK 1,000)

24 Acquisition of businesses

On 7 August 2019 Saxo Bank Group acquired BinckBank N.V. and achieved control of the entity by 98.01% ownership.

BinckBank N.V. is an online bank for investors and savers, established in the Netherlands and was at the time for the acquisition listed on the Euronext Amsterdam exchange. BinckBank's services are deployed from its headquarter in the Netherlands and its local branches in Belgium, France, and Italy and representation in Spain. BinckBank N.V. offers services in investment, asset management and savings, and targets its services to retail clients, businesses/legal entities, and independent asset managers.

The combination of Saxo Bank Group and BinckBank N.V. will benefit from the two parties' complementarity in geographic footprint, product offerings and client bases, covering the full retail client spectrum from mass retail to high-end. Further the combination offers benefits from gaining more scale in terms of assets, talent, market reach and harvest synergies from the integration.

The Saxo Bank Group has delisted BinckBank N.V. and in February 2020 the statutory buy-out proceedings to obtain 100% ownership of BinckBank N.V. was completed. The total purchase price for the remaining non-controlling interests is DKK 97 million (EUR 13 million).

The table provides a summary of the purchase price for BinckBank N.V. and the allocation of the fair value of acquired assets and liabilities at the acquisition date.

2019	**BinckBank N.V.**
Cash in hand and demand deposits with central banks	14,741,245
Receivables from credit institutions and central banks	1,179,758
Financial assets at fair value	442,123
Bonds at amortised cost	6,989,726
Loans and other receivables at amortised cost	10,209,965
Client relationships	383,491
Trademarks	23,541
Software	8,331
Tangible assets	504,600
Deferred tax assets	21,828
Other assets	820,014
Total assets	**35,324,622**
Debt to credit instututions and central banks	8,100
Financial liabilties at fair value	377,153
Deposits	31,351,479
Other liabilities	656,346
Deferred tax liabilities	169,745
Provisions	40,297
Total liabilities	**32,603,120**
Non-controlling interests	54,157
Acquired net assets	**2,667,345**
Fair value of total consideration transferred (Cash)	3,105,156
Goodwill arising from the acquisition	**437,811**

Note (DKK 1,000)

24 Acquisition of businesses · continued

2019	**BinckBank N.V.**
Movement in cash flows in connection with the acquisition	
Purchase price	(3,105,156)
Of which cash is acquired	14,733,146
Net cash inflow in connection with the acquisition	**11,627,990**

Goodwill represents the value of expertise and insight of acquired workforce, access to new markets as well as the expected synergies from the acquisition.

Non-controlling interests are measured at the proportionate interest of the net assets of BinckBank N.V. Goodwill recognised relates to the controlling interest acquired.

Saxo Bank Group has incurred acquisition costs of DKK 66 million related to external legal fees and due diligence costs. The acquisition costs are recognised in Staff costs and administrative expenses.

From the acquisition date 7 August to 31 December 2019 BinckBank N.V. has impacted Saxo Bank Group's Operating income and Net profit with DKK 437 million and DKK 40 million, respectively. For the period 1 January to 31 December 2019 BinckBank N.V. would have impacted Operating income and Net profit for the Saxo Bank Group with approximately DKK 1,041 million and DKK 121 million, respectively, had the acquisition taken place at 1 January 2019. Impact from the purchase price allocation is included as from the acquisition date.

Loans and other receivables acquired:

2019	**Mortgages**	**Collaterised loans**	**Other receivables**	**Total**
Fair value at the acquisition date	5,943,470	4,265,935	560	**10,209,965**
Gross contractual amounts receivables (nominal value)	5,637,312	4,248,832	6,905	**9,893,049**
Estimate of contractual cash flows not expected to be collected	10,026	37	6,345	**16,409**

Note (DKK 1,000)

25 Divestments

No divestments have been completed in 2019.

In 2018 Saxo Bank Group has divested its shares in B Circle Holding S.A. (owns 100% of the shares in Saxo Payment A/S). The divestment resulted in a gain of DKK 802 million. The consideration for the shares in B Circle Holding S.A. was partially contingent. The contigent consideration net of costs DKK 207 million was in 2018 included in the measurement of the gain of DKK 802 million. The amount was settled in 2019.

Other divestments (activities in Saxo Privatbank A/S and shares in Saxo Capital Markets SA Ltd.) in 2018 resulted in a net loss of DKK 9 million.

Gain/(losses) recognised due to the divestments are recognised in the income statement in Other income/(Other expenses).

	2019	2018
Divested assets and liabilities at the disposal date		
Cash in hand and demand deposits with central banks	-	282,062
Receivables from credit institutions and central banks	-	2,978,324
Financial assets at fair value	-	3,456,456
Loans and and other receivables at amortised cost	-	1,678,624
Other assets [1]	-	106,707
Total assets	**-**	**8,502,173**

[1] Other assets contains assets which are individually immaterial.

	2019	2018
Deposits	-	7,934,961
Other liabiities [1]	-	124,563
Total liabilities	**-**	**8,059,524**

[1] Other liabilities contains liabilities which are individually immaterial.

Note (DKK 1,000)

26 Expected maturity of statement of financial position items

Saxo Bank Group presents the statement of financial position items in order of liquidity. The table below shows the statement of financial position items expected to mature within one year (current) and after more than one year (non-current).

	2019		2018	
	< 1 year	> 1 year	< 1 year	> 1 year
Assets				
Cash in hand and demand deposits with central banks	24,276,476	-	2,960,272	-
Receivables from credit institutions and central banks	6,477,852	491	1,776,849	351
Financial assets at fair value	19,659,437	5,808,166	18,555,807	8,074,626
Bonds at amortised cost	489,379	2,860,296	-	-
Loans and other receivables at amortised cost	4,371,864	5,511,389	138	-
Current tax assets	159,201	-	47,523	-
Investments in joint ventures	-	580,430	-	-
Intangble assets	382,804	2,133,250	262,622	1,506,184
Tangible assets	105,064	1,307,042	47,217	743,138
Deferred tax assets	-	37,475	-	29,265
Other assets	721,750	48,034	419,429	60,692
Liabilities				
Debt to credit institutions and central banks	3,319,356	244,592	4,380,367	273,442
Financial liabilties at fair value	1,810,631	445,804	1,573,772	150,971
Deposits	59,310,096	977	21,370,224	-
Current tax liabilities	31,063	-	32,842	-
Other liabilities	760,217	316,109	450,797	110,736
Deferred tax liabilities	-	167,634	-	41,595
Provisions	130,902	171,505	41,269	135,639
Subordinated debt	390,620	748,935	9,619	360,672

Note (DKK 1,000)

27 Maturity analysis of financial liabilities

The table below disclose a maturity analysis of Saxo Bank Group's financial liabilities. The maturity analysis is based on the earliest date Saxo Bank 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.

2019	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	3,290,568	10,856	32,501	171,632	187,091	3,692,648
Deposits	59,310,096	-	-	-	977	59,311,073
Financial liabilities designated at fair value	-	11,796	-	-	-	11,796
Subordinated debt	-	22,001	409,051	169,377	931,875	1,532,304
Total financial liabilities (non-derivatives)	**62,600,664**	**44,653**	**441,552**	**341,009**	**1,119,943**	**64,547,821**
Currency contracts	-	541,159	130,619	1,225	-	673,003
Interest rate contracts	-	26,526	4,729	5,022	104,395	140,672
Equity contracts	-	874,352	115,234	55,788	97	1,045,471
Commodity contracts	-	49,978	56,237	536	-	106,751
Turbos	-	-	-	-	383,137	383,137
Total financial liabilities (derivatives)	**-**	**1,492,015**	**306,819**	**62,571**	**487,629**	**2,349,034**
Guarantees	48,390	-	-	-	-	48,390
Loan commitments etc.	13,540	-	-	-	-	13,540
Total financial liabilities (other)	**61,930**	**-**	**-**	**-**	**-**	**61,930**
Total	**62,662,594**	**1,536,668**	**748,371**	**403,580**	**1,607,572**	**66,958,785**

2018	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	4,351,636	17,859	53,556	284,730	373,855	5,081,636
Deposits	21,370,224	-	-	-	-	21,370,224
Subordinated debt	-	20,439	32,460	173,122	416,522	642,543
Total financial liabilities (non-derivatives)	**25,721,860**	**38,298**	**86,016**	**457,852**	**790,377**	**27,094,403**
Currency contracts	-	522,879	165,603	2,446	-	690,928
Interest rate contracts	-	17,879	2,089	15,556	59,319	94,843
Equity contracts	-	554,536	138,475	110,598	1,223	804,832
Commodity contracts	-	109,013	63,298	21,148	-	193,459
Total financial liabilities (derivatives)	**-**	**1,204,307**	**369,465**	**149,748**	**60,542**	**1,784,062**
Guarantees	62,826	-	-	-	-	62,826
Loan commitments etc.	50,000	-	-	-	-	50,000
Total financial liabilities (other)	**112,826**	**-**	**-**	**-**	**-**	**112,826**
Total	**25,834,686**	**1,242,605**	**455,481**	**607,600**	**850,919**	**28,991,291**

Note (DKK 1,000)

28 Offsetting financial assets and liabilities

2019	Gross amount	Offsetting	Net carrying amount in the statement of financial position	Amounts not offset but subject to master netting agreement and similar agreements: Financial instruments	Cash collateral	Financial collateral	Net amount
Financial assets							
Derivatives with positive fair value [1)]	4,542,765	-	4,542,765	(856,708)	(3,130,500)	(37,784)	517,773
Total	**4,542,765**	**-**	**4,542,765**	**(856,708)**	**(3,130,500)**	**(37,784)**	**517,773**
Financial liabilities							
Derivatives with negative fair value [1)]	2,256,435	-	2,256,435	(856,708)	-	-	1,399,727
Interest swaps [2)]	104,395	-	104,395	-	-	(104,395)	-
Total	**2,360,830**	-	**2,360,830**	**(856,708)**	**-**	**(104,395)**	**1,399,727**

2018	Gross amount	Offsetting	Net carrying amount in the statement of financial position	Amounts not offset but subject to master netting agreement and similar agreements: Financial instruments	Cash collateral	Financial collateral	Net amount
Financial assets							
Derivatives with positive fair value [1)]	4,621,789	-	4,621,789	(1,079,284)	(3,323,713)	(47,643)	171,149
Total	**4,621,789**	**-**	**4,621,789**	**(1,079,284)**	**(3,323,713)**	**(47,643)**	**171,149**
Financial liabilities							
Derivatives with negative fair value [1)]	1,724,743	-	1,724,743	(1,079,284)	(10,535)	(40,729)	594,195
Interest swaps [2)]	59,319	-	59,319	-	-	(59,319)	-
Total	**1,784,062**	-	**1,784,062**	**(1,079,284)**	**(10,535)**	**(100,048)**	**594,195**

[1)] Recognised as Financial assets and financial liabilities at fair value, note 12.
[2)] Recognised as Other liabilities, note 20.

Assets and liabilities are offset when Saxo Bank 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.

Saxo Bank Group determines a margin requirement for trading clients. The margin requirement maintained by Saxo Bank 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 clients' margin trades and offset against collateral received.

Cash collateral received is recognised in Deposits and Debt to credit institutions and central banks in the statement of financial position. Saxo Bank 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 and financial collateral provided is part of Assets deposited as collateral in note 33.

Note (DKK 1,000)

29 Classification and measurement of financial instruments

2019	**Fair value through profit and loss**	**Amortised cost**	**Designated at fair value**	**Total carrying amount**
Financial assets				
Cash in hand and demand deposits with central banks	-	24,276,476	-	24,276,476
Receivables from credit institutions and central banks	-	6,478,343	-	6,478,343
Financial assets at fair value	25,467,603	-	-	25,467,603
Bonds at amortised cost	-	3,349,675	-	3,349,675
Loans and other receivables at amortised cost	-	9,883,253	-	9,883,253
Interest swaps[1)]	8,145	-	-	8,145
Investment securities[1)]	7,756	-	-	7,756
Financial liabilities				
Debt to credit institutions and central banks	-	3,563,948	-	3,563,948
Financial liabilities at fair value	2,248,494	-	7,941	2,256,435
Deposits	-	59,311,073	-	59,311,073
Interest swaps[1)]	104,395	-	-	104,395
Subordinated debt	-	1,139,555	-	1,139,555

2018	**Fair value through profit and loss**	**Amortised cost**	**Designated at fair value**	**Total carrying amount**
Financial assets				
Cash in hand and demand deposits with central banks	-	2,960,272	-	2,960,272
Receivables from credit institutions and central banks	-	1,777,200	-	1,777,200
Financial assets at fair value	26,630,433	-	-	26,630,433
Loans and other receivables at amortised cost	-	138	-	138
Investment securities[1)]	32,283	-	-	32,283
Financial liabilities				
Debt to credit institutions and central banks	-	4,653,809	-	4,653,809
Financial liabilities at fair value	1,724,743	-	-	1,724,743
Deposits	-	21,370,224	-	21,370,224
Interest swaps[1)]	59,319	-	-	59,319
Subordinated debt	-	370,291	-	370,291

[1)] Investment securities and interest swaps are presented as Other assets and Other liabilities, note 18 and 20.

Note (DKK 1,000)

29 Classification and measurement of financial instruments · continued

Fair value hierarchy for financial instruments

2019	Quoted market price - Level 1	Observable input - Level 2	Non-observable input - Level 3	Total fair value	Total carrying amount
Financial assets[1, 2]					
Trading portfolio bonds	20,802,540	-	-	20,802,540	20,802,540
Listed securities	122,298	-	-	122,298	122,298
Derivative financial instruments with positive value	2,162,418	2,228,431	151,916	4,542,765	4,542,765
Bonds at amortised cost	3,349,469	-	-	3,349,469	3,349,675
Interest swaps	8,145	-	-	8,145	8,145
Loans and other receivables at amortised cost	-	-	9,722,253	9,722,253	9,883,253
Investment securities	-	-	7,756	7,756	7,756
Financial liabilities					
Derivative financial instruments with negative value	1,643,1543	605,341	-	2,248,494	2,248,494
Financial liabilities designated at fair value	7,941	-	-	7,941	7,941
Interest swaps[2]	-	104,395	-	104,395	104,395
Subordinated debt	-	-	1,180,127	1,180,127	1,139,555

2018	Quoted market price - Level 1	Observable input - Level 2	Non-observable input - Level 3	Total fair value	Total carrying amount
Financial assets[1]					
Trading portfolio bonds	21,883,045	-	-	21,883,045	22,008,644
Derivative financial instruments with positive value	2,103,144	2,371,072	147,572	4,621,788	4,621,789
Loans and other receivables at amortised cost	-	-	138	138	138
Investment securities	23,577	-	8,706	32,283	32,283
Financial liabilities					
Derivative financial instruments with negative value	956,704	768,039	-	1,724,743	1,724,743
Interest swaps[2]	-	59,319	-	59,319	59,319
Subordinated debt	-	-	360,672	360,672	370,291

[1] Trading portfolio bonds, listed securities and derivatives are presented as Financial assets and financial liabilities at fair value, note 12.
[2] Investment securities and interest swaps are presented as Other assets and Other liabilities, note 18 and 20.

In addition to the disclosure of financial instruments in the fair value hierarchy for 2019, loan notes with conversion rights are measured at fair value (level 3) and is presented in the statement of financial position as part of investment in joint ventures. Disclosures on the fair value are presented in note 14 Investments in joint ventures.

Note (DKK 1,000)

29 Classification and measurement of financial instruments · continued

Financial instruments measured at the basis of non-observable input - Level 3	**2019**	**2018**
Fair value at 1 January	156,278	169,937
Additions	4,344	18,844
Disposals	-	(33,107)
Gains and losses recognised in income statement:		
Realised fair value adjustments	67	1,565
Unrealised fair value adjustments	(1,017)	(961)
Fair value at 31 December	**159,672**	**156,278**

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

In addition to the disclosure of changes in financial instruments measured at level 3 for 2019, loan notes with conversion rights are measured at fair value (level 3) and is presented in the statement of financial position as part of investment in joint ventures. Since the issue of the notes no changes in the fair value of the notes have occurred. Disclosures on the fair value are presented in note 14 Investments in joint ventures.

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, CFD single equities and turbos 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. Saxo Bank 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 clients' worthiness. Investment securities are primarily measured based on third party pricing information (level 3).

Saxo Bank 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 financial assets and financial liabilities measured at amortised cost, the fair value estimated 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.

Bonds at amortised cost consist of an investment portfolio of readily marketable bonds that are primarily traded by professional market parties without the intermediation of a regulated market. Price quotes are available from brokers on request.

The fair value of loans and receivables at amortised cost is based on measurement models such as discounted cash flow models. The significant variables in the measurement model are interest, expected early redemption rates and expected credit loss.

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

Note (DKK 1,000)

30 Hedge accounting

Saxo Bank Group is exposed to certain risks relating to its ongoing business operation and has entered into hedging relationships to cover certain interest rate risk and foreign currency risk.

Hedge of net investments – foreign currency risk
Saxo Bank Group hedges fully or partially the foreign exchange rate exposure arising from net investments, by establishing hedge relationship between the net investments and currency derivatives or non-derivative financial liabilities designated as the hedge instruments.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that match the foreign exchange exposure on the currency derivatives or non-derivative financial liabilities. Saxo Bank Group has established a hedge ratio of 1:1 as the exposure in net investments is measured and updated each month with the realised net profit of each of the hedged net investment. The notional amount includes the initial net investment and the realised net profit, deducted with dividend and increased/decreased with any other transactions on equity. Saxo Bank Group does not hedge the foreign entities' future income or transactions. The hedge ineffectiveness will arise when the notional foreign currency amount of the investment in foreign entities become lower than the notional amount of the hedging instruments.

2019	Notional amount	Carrying amount	Financial position item	Recognised in the translation reserve, net of tax (accumulated)	Change in fair value used for measuring hedge ineffectiveness
Hedged item: Foreign exchange risk related to net investment in foreign entities		4,947,148			58,829
Hedging instruments Foreign currency derivatives	(64,290)	(64,290)	Financial liabilities at fair value		(62)
Non-derivatives	(4,846,639)	(4,846,639)	Deposits	80,716	(59,626)

2018	Notional amount	Carrying amount	Financial position item	Recognised in the translation reserve, net of tax (accumulated)	Change in fair value used for measuring hedge ineffectiveness
Hedged item: Foreign exchange net investment in foreign entities		1,657,879			17,930
Hedging instruments Foreign currency derivatives	(55,109)	(55,109)	Financial liabilities at fair value		2,929
Non-derivatives	(1,623,170)	(1,623,170)	Deposits	35,797	(17,379)

A loss of DKK 0.7 million (2018: gain of DKK 0.9 million) is recognised in Price and exchage rate adjustments in the income statement due to hedge ineffectiveness.

The impact on Other comprehensive income in Translation reserve is disclosed in Statement of changes in equity on page 41.

Note (DKK 1,000)

30 Hedge accounting · continued

Fair value hedge – Tier 2 capital – interest rate risk
Saxo Bank Group uses interest rate swaps to manage the interest rate risk on part of the issued tier 2 capital. At 31 December interest swaps are in place with a notional amount of DKK 749 million (2018: DKK 0 million), whereby a fixed rate of interest of 5.5% is received and interest at variable rate equal to EURIBOR 3 months plus 5.7115% on the notional amount is paid.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). A hedge ratio of 1:1 is established for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

The hedge ineffectiveness can arise from different interest rate curve applied and/or differences in timing of cash flows differently impacting the fair value movements of the hedging instrument and hedged item.

2019	Notional amount	Carrying amount	Financial position item	Accumulated fair value adjustments included in the hedged item	Change in fair value used for measuring hedge ineffectiveness
Fair value hedge – Tier 2 capital					
Hedged item: Tier 2 capital		(748,935)	Subordinated debt	(8,132)	(8,132)
Hedging instruments: Interest rate swap	EUR 100 million	8,145	Other assets		8,132
Hedge ineffectiveness			Price and exchange rate adjustments		-

The interest swap will expire July 2024.

Fair value hedge – Mortgage portfolio – interest rate risk
Saxo Bank Group uses interest rate swaps to manage part of the interest rate risk on the mortgage portfolio. At 31 December 2019, interest rate swaps are in place with a notional amount of DKK 1,091 million (2018: 0 million) whereby the Group receives a variable rate of interest in the range of -0.437% to -0.439% and pays interest at a fixed rate in the range of -0.211% to +0.748% on the notional amount.

In fair value hedge accounting the relationships match the interest rate risks on the designated cash flows of the mortgage portfolio. There is an economic relationship between the hedged item and the hedging instrument as the interest swaps match the terms of the fixed rate mortgage loans (i.e. notional amount, maturity and payments). A hedge ratio of 1:1 is established for the hedging relationships as the underlying risk of the interest rate swaps is identical to the hedged risk component.

The hedge ineffectiveness can arise from mismatch of the timing of interest payments or receipts of the interest rate swap and the cash flows from the mortgages, variances in the actual cash flows as compared to the expected cash flows from the mortgages and/or the swap curves used for the measurement of the derivative includes a credit risk surcharge that is not hedged in the hedging relationship.

2019	Notional amount	Carrying amount	Financial position item	Accumulated fair value adjustments included in the hedged item	Change in fair value used for measuring hedge ineffectiveness
Fair value hedge – mortgage portfolio					
Hedged item: Mortgage portfolio		1,139,853	Loans and other receivables at amortised cost	19,285	19,285
Hedging instruments: Interest rate swap	1,090,912	(48,455)	Other liabilities		(18,807)
Hedge ineffectiveness			Price and exchange rate adjustments		478

Note (DKK 1,000)

30 Hedge accounting · continued

Cash flow hedge – mortgage debt – interest rate risk
An interest rate swap agreement is in place whereby Saxo Bank Group receives a variable rate of interest and pays interests at a fixed rate on the notional amount. The Group hedges the exposure to variability in future cash flows due to changes in interest rates on the mortgage debt with a variable interest rate.

A hedge ratio of 1:1 is established as the terms of the interest swap match the terms of the mortgage debt. To test the ineffectiveness, the hypothetical derivative method is used. Hedge ineffectiveness will arise if the terms of the interest swap and the mortgage change inconsistently. There is no ineffectiveness recognised in the income statement in 2019 and 2018.

2018	Notional amount	Carrying amount	Financial position item	Recognised in the hedging reserve, net of tax (accumulated)	Change in fair value used for measuring hedge ineffectiveness
Hedging instruments					
Fixed interest swap 2019	255 million	(55,940)	Other liabilities	35,774	(2,854)
Fixed interest swap 2018	276 million	(59,319)	Other liabilities	37,885	(7,051)

The impact on Other comprehensive income in Hedging reserve is disclosed in Statement of changes in equity on page 41.

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

	2019	2018
Cash inflows		
Within 1 year	-	-
1-5 years	5,699	5,699
More than 5 years	6,310	6,310
Cash outflows		
Within 1 year	12,855	12,855
1-5 years	39,878	39,878
More than 5 years	19,050	19,050

During 2019, losses of DKK 12 million (2018: DKK 13 million) relating to cash flow hedge were transferred from equity to profit and loss and are reflected in interest expense.

31 Related parties

Geely Financials Denmark A/S is the parent company of Saxo Bank A/S and has by ownership of more than 50% of the share capital obtained controlling influence in Saxo Bank A/S from 14 September 2018.
Geely Group Limited is the ultimate parent of the Saxo Bank Group.

At 31 December 2019, the following shareholders are registered as holders of more than 5% of the share capital of Saxo Bank A/S:

Geely Financials Denmark A/S	1609 Copenhagen, Denmark
Fournais Holding A/S	2850 Nærum, Denmark
Sampo Plc	00100 Helsinki, Finland

Note (DKK 1,000)

31 Related parties · continued

	Board of Directors		Board of Management		Parties with controlling influence		Joint ventures	
(DKK million)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Loan note	-	-	-	-	-	-	560.2	-
Convertible loan notes	-	-	-	-	-	-	893.9	-
Deposits (liabilities)	0.0	-	0.0	0.4	-	-	-	-
Fees and commissions	0.0	-	0.1	0.1	-	-	-	-
Other services	-	-	(1.1)	(1.2)	0.1	-	-	-
Disposal of intellectual property rights	-	-	-	-	-	-	2,241.6	-

Remuneration to Board of Directors and Board of Management is disclosed in note 34 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.

32 Contingent and other contractual commitments	**2019**	**2018**
Guarantees		
Financial guarantees	33,609	43,036
Suretyship and other guarantees	14,781	19,790
Total guarantees, net of allowance	**48,390**	**62,826**
Loan commitments etc.		
Undrawn credit facilities (mortgage quotations issued)	13,540	-
Other unutilised credit facilities	-	50,000
Total loan commitments etc.	**13,540**	**50,000**
Other contractual commitments		
Other contractual commitments[1)]	172,567	343,580
Total other contractual commitments	**172,567**	**343,580**

[1)] Operating lease obligations DKK 153 million disclosed as Other contractual commitments 31 December 2018 are from 1 January 2019 recognised in the statement of financial position. 31 December 2019 only operating lease obligations for short term leases DKK 0 million are disclosed as Other contractual commitments. Comparative figures are not restated, see note 1.

At 31 December 2018, minimum future operating lease payments under non-cancellable operating leases amounts to DKK 153 million, with DKK 54 million relating to operating leases payments within one year, DKK 99 million from one to five years and DKK 0 million above 5 years.

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

BinckBank N.V. has as part of previous acquisition in 2007 acquired the Alex Bottom-Line product, which is an agreement with the Dutch Investors' Association. If BinckBank N.V. terminates this agreement then it will be liable to pay an amount equal to the custody fee and dividend commission paid by each client of Alex Bottom-Line on entry into the agreement, plus the amount of any custody fee and dividend commission additionally paid by each client on exceeding set limits.

Until 14 September 2018 Saxo Bank A/S was the administration company for the Danish joint taxation consisting of Saxo Bank A/S and its Danish subsidiaries.

Due to Geely Financials Denmark A/S' controlling influence in Saxo Bank A/S, Saxo Bank A/S and its Danish subsidiaries entered from 14 September 2018 a Danish joint taxation with Geely Financials Denmark A/S as the administration company. Saxo Bank A/S and its Danish subsidiaries are jointly and severally liable for Danish corporate taxes and for any obligations to withhold taxes on interests, royalties and dividends for the entities in the joint taxation.

Note	(DKK 1,000)	2019	2018
33	**Assets deposited as collateral**		
	Financial assets deposited as collateral		
	Cash in hand and demand deposits with central banks	65,796	71,600
	Receivables from credit institutions and central banks	543,707	225,000
	Bonds at fair value	2,346,746	2,950,565
	Bonds at amortised cost	2,351,714	-
	Other assets deposited as collateral		
	Domicile property	365,664	365,664

Saxo Bank Group has placed cash as security for an interest swap entered to hedge the Group's mortgage debt.

Saxo Bank Group has bonds at fair value held in custody with credit institutions. Receivables from credit institutions and central banks and bonds at amortised cost serve as collateral. The assets serve as collateral for Saxo Bank Group's ongoing financial business with the individual credit institution. The actual demand for collateral varies from day to day in line with the fair value of Saxo Bank Group open positions against these credit institutions.

Debt to credit institutions is secured by mortgage deed on Saxo Bank Group's domicile properties.

Note	(DKK 1,000)		2019	2018
34	**Remuneration of management and significant risk takers**			
	Remuneration of Board of Management			
	Salaries and other remuneration		(35,221)	(31,686)
	Defined contribution pension plans		(3,752)	(2,117)
	Share-based payments		-	(683)
	Total remuneration of Board of Management		**(38,973)**	**(34,486)**
	In 2019, variable remuneration to Board of Management amounts to DKK 0 million (2018: DKK 0.7 million).			
	Remuneration of Board of Management			
	Kim Fournais		(16,993)	(17,634)
	Søren Kyhl		(9,192)	(9,515)
	Steen Blaafalk		(6,134)	(6,262)
	Damian Bunce	From 5 November 2018 to 7 February 2020	(6,654)	(1,075)
	Total remuneration of Board of Management		**(38,973)**	**(34,486)**
	The Group has no pension obligations towards Board of Management as pension schemes are defined contribution plans.			
	Remuneration of Board of Directors			
	Daniel Donghui Li (Chairman)	From 13 September 2018	-	-
	Henrik Normann		(2,000)	(2,100)
	Yi Ian Zhang	From 13 September 2018	(1,000)	-
	Patrick John Sture Lapveteläinen	From 13 September 2018	(1,000)	(292)
	Preben Damgaard Nielsen	From 13 September 2018	(1,000)	(292)
	Lone Fønss Schrøder[1)]		-	(193)
	Asiff S. Hirji[2)]		-	(1,056)
	Wikawi Oei[2)]		-	(528)
	Jacob Polny[2)]		-	-
	Thomas Plenborg[2)]		-	(704)
	Total remuneration of Board of Directors		**(5,000)**	**(5,165)**

1) Resigned from the Board of Directors as of 20 February 2018.
2) Resigned from the Board of Directors as of 13 September 2018.

In 2019, variable remuneration to Board of Directors amounts to DKK 0 million (2018: DKK 0.2 million).
Saxo Bank Group has no pension obligations towards the Board of Directors.

Note (DKK 1,000)

34 Remuneration of management and significant risk takers · continued

Remuneration of significant risk takers	2019	2018
Number of significant risk takers (full-time-equivalents)	38	33
Fixed remuneration	(75,866)	(73,556)
Variable remuneration[1)]	(9,377)	(9,548)
Total remuneration of significant risk takers	**(85,243)**	**(83,104)**

[1)] In 2019 a part of the variable remuneration for significant risk takers amounting to DKK 3.7 million relates to an accrued retention bonus, which will be earned by the participants during 2020 and start 2021.

Saxo Bank Group has no pension obligations towards significant risk takers as their pension schemes are defined contribution plans. Variable remuneration is determined according to the Saxo Bank Group's remuneration policy and is based on the performance of the individual person. Some of the significant risk takers have participated 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 Saxo Bank Group's website www.home.saxo/about-us/investor-relations. The disclosures are not covered by the statutory audit.

Share-based payments

Warrants Saxo Bank A/S
From 2015 to 2018 5,599,392 warrants with a right to subscribe for shares in Saxo Bank A/S were sold to employees in Saxo Bank Group. The total fair value of the warrants issued was estimated to DKK 46 million at the grant date. The fair value was measured using the Black-Scholes option pricing model considering time to maturity, risk-free interest rate, volatility, share price and exercise restrictions etc. at grant date. 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.

Outstanding warrants 3,868,125 at 31 December 2018 are all repurchased during 2019.

All warrants were accounted for as equity-settled transactions.

Expense/income in income statement
In 2019 DKK 1.7 million (2018: DKK 0.4 million as income) was recognised as Staff costs and administrative expenses with an corresponding increase in Equity. Consideration received for warrants sold/repurchased is recognised directly in Equity.

Number of warrants	Average exercise price	Board of Directors	Board of Management	Employees	Total
Outstanding at 1 January 2018		**113,220**	**2,669,100**	**4,007,400**	**6,789,720**
Granted	180	-	-	26,640	26,640
Repurchased	180	-	-	(1,126,872)	(1,126,872)
Transfers	180	-	233,100	(233,100)	0
Expired	147	-	(1,770,000)	(51,363)	(1,821,363)
Outstanding at 31 December 2018		**113,220**	**1,132,200**	**2,622,705**	**3,868,125**
Granted					
Repurchased	180	(113,220)	(1,132,200)	(2,622,705)	(3,868,125)
Outstanding at 31 December 2019		**0**	**0**	**0**	**0**

Note

35 Group entities

	Local currency ´000	Net profit	Equity	Ownership
Subsidiaries				
Financial institutions				
BG Saxo SIM S.p.A [1]	EUR	(81)	4,919	80%
Saxo Bank (Schweiz) AG, Switzerland	CHF	2,253	64,368	100%
Saxo Bank Securities Ltd., Japan	JPY	(10,310)	1,274,429	100%
Saxo Banque France SAS, France	EUR	1,621	11,356	100%
Saxo Capital Markets HK, Hong Kong	HKD	(2,527)	130,888	100%
Saxo Capital Markets Pte. Ltd., Singapore	SGD	18,293	90,065	100%
Saxo Capital Markets Pty Ltd., Australia	AUD	2,833	23,808	100%
Saxo Capital Markets UK Ltd., UK	GBP	6,574	35,291	100%
Saxo Far East (HK) Limited, Hong Kong	HKD	2,504	25,460	100%
Star Bidco B.V., the Netherlands (BinckBank N.V.) [2]	EUR	-	-	100%
Other				
Ejendomsselskabet Bygning 119 A/S, Denmark	DKK	11,028	215,424	100%
Initto A/S, Denmark	DKK	320	25,410	100%
Saxo Group India Private Limited	INR	1,159	1,179	100%
Joint ventures				
Saxo Geely Tech Holding A/S [3]	EUR	-	-	50%

[1] Saxo Bank Group has disposed 19.90% of the shares in BG Saxo SIM S.p.A in October 2019.
[2] Saxo Bank Group has acqiured 98.01% of the shares BinckBank N.V. in August 2019.
[3] Saxo Bank Group has entered into the joint venture in December 2019.

Saxo Bank Group has non-controlling interests relating to BinckBank N.V. due to 98.01% ownership and to BG Saxo SIM S.p.A due to 80.1% ownership. The non-controlling interests are not material to Saxo Bank Group.

The list includes significant 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 A/S.

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

36 Events after the reporting date

EUR 45 million additional tier 1 capital notes was redeemed at first possible call in February 2020 and EUR 50 million tier 2 subordinated debt expected to be called in April 2020. The regulatory approval is granted.

In February 2020, Saxo Bank Group acquired remaining shares in BinckBank N.V.

Following the continued outbreak of corona virus, volatility in financial markets has increased significantly leading to increased activity among the Saxo Bank Group's clients.

There have been no other events that materially affect the assessment of this Annual Report 2019 after the reporting date.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

Saxo Bank 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 Saxo Bank Group.

The Board instructions are supplemented by the Group Risk Management Governance & Policies and the Risk Appetite Statements, which defines Saxo Bank 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 Saxo Bank Group's risks.

Risk types
Saxo Bank 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 Saxo Bank Group does not have sufficient liquidity to fulfil its payment obligations as and when they fall due. Also, the risk that Saxo Bank Group's cost of funds rise to disproportionate levels or in worst case prevents the Group from continuing as a going concern under its currents business model. Finally, the risk that Saxo Bank 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 Saxo Bank Group's risks, capital requirements and liquidity situation on a regular basis.

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

The unaudited Risk Report 2019 provides additional information about Saxo Bank Group's risk management approach. Risk Report 2019 is available for download from Saxo Bank Group's website at www.home.saxo/about-us/icaap-and-risk-reports.

CREDIT RISK

Credit risk is defined as the risk that a borrower 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 Saxo Bank 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.

When Saxo Bank Group in 2019 acquired BinckBank N.V. it also meant that the credit risk profile changed. BinckBank N.V. issues loans to clients used to invest in securities. The credit risk is managed by applying haircuts to the assessment of the value of the securities in order to ensure that the clients positions at worst can be liquidated without a loss.

BinckBank N.V. has also purchased a Dutch mortgage portfolio. The portfolio consists of a well-diversified pool of mortgage backed loans. The debtors are Dutch private households. The collateral consist of both the value of the real estate but also in many cases a Dutch National Mortgage Guarantee Scheme (NHG). The residual credit risk on top of the collateral is very limited.

General credit risk
The potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Examples of that type of risk are deposits held with financial counterparts, loans extended to clients to finance investments in securities and purchased mortgages.

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. Trading in financial derivatives like options, futures, ETF's and forward contracts are contracts that pose counterparty credit risk.

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, Saxo Bank Group has entered into settlement agreements with prime brokers. In securities trading, the settlement risk is mitigated by delivery versus payment settlement and contractual settlement agreements.

Credit risk from activities in Saxo Bank Group's trading book
Saxo Bank 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 Saxo Bank 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).

(DKK 1,000)

CREDIT RISK · continued

Credit risk exposure
Saxo Bank Group's credit risk exposure consists of financial statement items and off-balance items that carry credit risk. Credit risk exposure derives from lending activities, counterparty risk and exposures from trading and securities.

2019	Lending activities	Counter-party risk, derivates	Trading, bonds & securities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	24,279,838	-	-	24,279,838
Receivables from credit institutions and central banks	6,480,938	-	-	6,480,938
Financial assets at fair value	-	4,542,765	20,924,838	25,467,603
Bonds at amortised cost	-	-	3,349,470	3,349,470
Loans and other receivables at amortised cost	9,899,687	-	-	9,899,687
Investment securities	-	-	7,756	7,756
Credit exposure before impairment	**40,660,463**	**4,542,765**	**24,282,064**	**69,485,292**
Impairment allowance	(22,391)	-	(205)	(22,596)
Credit exposure in statement of financial position	**40,638,072**	**4,542,765**	**24,281,859**	**69,462,696**
Off-balance items				
Guarantees	68,360	-	-	68,360
Unutilised credit facilities	13,540	-	-	13,540
Impairment allowance for off-balance items	(19,970)	-	-	(19,970)
Credit exposure off-balance items	**61,930**	**-**	**-**	**61,930**
Total credit exposure net of impairment	**40,700,002**	**4,542,765**	**24,281,859**	**69,524,626**

2018	Lending activities	Counter-party risk, derivates	Trading, bonds & securities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	2,960,272	-	-	2,960,272
Receivables from credit institutions and central banks	1,779,353	-	-	1,779,353
Financial assets at fair value	-	4,621,789	22,008,644	26,630,433
Loans and other receivables at amortised cost	1,985	-	-	1,985
Investment securities	-	-	32,283	32,283
Credit exposure before impairment	**4,741,610**	**4,621,789**	**21,915,328**	**31,404,326**
Impairment allowance	(4,112)	-	-	(4,112)
Credit exposure in statement of financial position	**4,737,498**	**4,621,789**	**21,915,328**	**31,400,214**
Off-balance items				
Guarantees	82,796	-	-	82,796
Unutilised credit facilities	50,000	-	-	50,000
Impairment allowance for off-balance items	(19,970)	-	-	(19,970)
Credit exposure off-balance items	**112,826**	**-**	**-**	**112,826**
Total credit exposure net of impairment	**4,850,324**	**4,621,789**	**21,915,328**	**31,513,040**

In addition to credit exposures arising from the Saxo Bank Group's normal business, disclosed in the above table, Saxo Bank Group has an exposure of DKK 860 million after eliminations (2018: DKK 0 million) related to loan notes issued at disposal of certain intellectual property rights to Saxo Geely Tech Holding A/S, see note 14 Investment in joint ventures and note 18 Other assets.

(DKK 1,000)

CREDIT RISK - LENDING ACTIVITIES

Credit risk from lending activities includes loans and other receivables at amortised cost, amounts due from credit institutions and central banks and related off-balance items. Loans and other receivables at amortised cost include mortgages, collateralised loans and other loans and receivables. The exposure is measured net of accumulated impairment charges, For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount.

Saxo Bank Group's credit risk on lending activities has changed in 2019 due the acquisition of the Dutch subsidiary BinckBank N.V., which issues both mortgages and collateralised loans.

2019	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
Demand deposits with central banks	24,279,838	(3,362)	24,276,476	-	24,276,476
Receivables from credit institutions and central banks	6,480,938	(2,595)	6,478,343	3,320,381	3,157,962
Loans and other receivables at amortised cost:					
Mortgages collateralised by residential property	5,657,771	(15,274)	5,642,497	5,642,497	0
Loans collateralised by securities	4,201,120	-	4,201,120	4,201,120	0
Other loans and receivables	1,266	(1,160)	106	-	106
Accrued interest loans	39,530	-	39,530	-	39,530
Guarantees and unutilised facilities	81,900	(19,970)	61,930	19,790	42,140
Total	**40,742,363**	**(42,361)**	**40,700,002**	**13,183,788**	**27,516,214**

2018	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
Demand deposits with central banks	2,960,272	-	2,960,272	-	2,960,272
Receivables from credit institutions and central banks	1,779,465	(2,265)	1,777,200	-	1,777,200
Loans and other receivables at amortised cost:					
Other loans and receivables	1,985	(1,847)	138	-	138
Guarantees and unutilised facilities	132,796	(19,970)	112,826	19,790	93,036
Total	**4,874,518**	**(24,082)**	**4,850,436**	**19,790**	**4,830,646**

Rating

Mortgage loans and collateralised loans issued by BinckBank N.V. are unrated. Loans are only issued taking into account strict rules considering the quality and value og the underlying collateral.

Other clients with loans and counterparts are rated by use of internal credit ratings that reflects the probability of default. The credit ratings are calibrated in a way where the risk of default increases exponentially at each higher risk rating.

(DKK 1,000)

CREDIT RISK - LENDING ACTIVITIES · continued

Mortgages
BinckBank N.V. invests in mortgage receivables on Dutch residential mortgages. The portfolio comprises mortgages with variable interest rates in the range of 1.40% to 1.93% and mortgages with fixed interest rates in the range of 0.95% to 6.20%. 0.25% of the total mortgage portfolio is with a variable interest rates. 31 December 2019 DKK 1,962 million of the mortgage portfolio is guaranteed under the Dutch National Mortgage Guarantee Scheme (NHG). NHG is a guarantee provided to the mortgage lender by a government guaranteed foundation. For loans guaranteed under the NHG BinckBank's credit risk is limited.

BinckBank N.V. acts as the financier in a collective structure in which the marketing, sales, administration, and management are outsourced to two external service providers. The risk appetite is defined within the investment mandate by issuing acceptance criteria and designating one or more credit risk buckets and interest rate reset periods. Appropriate management of the operational risks, including the outsourcing risks, is provided for in the form of agreements laid down in service level agreements with the service providers. The service level agreements are dealing with various elements of the morgages process, the management and administration of mortgages issued and the reporting of data. Compliance with the agreements is reviewed on a monthly basis. The outsourcing includes credit acceptance and management of credit risks and arrears. The service providers are entrusted with the responsibility for initiating forbearance measures where necessary, such as agreeing payment holidays or renegotiating credit agreements. BinckBank N.V. monitors the performance of the service providers and the developments within the portfolio through extensive data on the mortgage portfolio supplied by the service providers.

BinckBank N.V. periodically assesses whether the total mortgage portfolio and the mortgage issuance mandate issued to the service provider lies within the specified limits.

Collateralised loans, margin obligations and financial guarantees
Lending can be offered to clients if sufficient collateral is available in the form of securities or bank guarantees. Saxo Bank Group offers clients lending against securities collateral through the subsidiary BinckBank N.V. The interest rate on these loans is based on market rates with a floor. This advance funding can be used to cover margin requirements relating to derivative positions, for the purchase of securities, or for the cover of financial guarantees. Saxo Bank Group has a potential or actual credit risk in respect of the clients to whom such loans are offered.

The collateralised loans are continually monitored by an automated process using real time prices, taking into account the haircuts assigned to the individual securities, and less any other existing obligations the client has towards BinckBank N.V. BinckBank has retained the right to adjust the haircuts without prior notice at any time, in response to market movements or other factors.

Other loans and receivables
Other loans and other receivables comprise outstanding balances with trading clients (stage 3).

(DKK 1,000)

CREDIT RISK - LENDING ACTIVITIES · continued

Collateral held against lending activities - loans and other receivables at amortised cost
An essential element of Saxo Bank Group's credit policy is to mitigate credit risk by collateral.

Collateral for mortgages is comprised of a combination of Dutch residential properties with and without a Dutch National Mortgage Guarantees (NHG).

Securities received as collateral for the collateralised loans are subject to a haircut percentages between 20% to 100% depending on the underlying type of security and the issuer. The market movements are analysed on a daily basis and the haircut percentages updated for all stocks at least once a month. In case of extreme price volatility this percentage is adjusted immediately.

For other loans and receivables Saxo Bank Group assesses the market value of the collateral. For the most common types of collateral the Group has its own valuation models that estimate the value. The value of the collateral is assessed at the current estimated market value including a haircut. A haircut is a measure of the risk that the Group will not be able to sell the collateral asset at a price equal to the expected value.

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

	2019	2018
Credit exposure net of impairment	9,945,183	112,964
Collateral:		
Listed securities	4,201,120	-
Residential property	3,680,018	-
Dutch National Mortgage Guarantee Scheme (NHG)	1,962,479	-
Other corporate tangible and intangible assets	19,790	19,790
Total collateral	9,863,407	19,790
Total unsecured credit exposure lending activities	**81,776**	**93,174**
Credit risk exposure broken down by sector and geography		
Sector distribution:		
Retail clients	7,458,889	-
Other businesses	2,486,294	112,964
Total credit exposure loans and other receivables at amortised cost and off balance items net of impairment	**9,945,183**	**112,964**
Geographical distribution:		
Denmark	170,419	112,964
The Netherlands	9,310,740	-
Other countries	464,024	-
Total	**9,945,183**	**112,964**

(DKK 1,000)

CREDIT RISK - CREDIT INSTITUTIONS AND CENTRAL BANKS

The following tables provides an insight into varios risk concentrations on credit rating and geography.

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

2019	Credit institutions	Central banks	Total
AAA	-	23,818,165	23,818,165
AA-	29,675	374,796	404,471
A-	2,763,586	-	2,763,586
BBB-	351,225	83,515	434,740
BB-	3,331,238	-	3,331,238
B	2,619	-	2,619
Total	**6,478,343**	**24,276,476**	**30,754,819**

2018	Credit institutions	Central banks	Total
AAA	-	2,468,591	2,468,591
AA-	272,957	491,681	764,638
A-	844,404	-	844,404
BBB-	601,518	-	601,518
BB-	10,896	-	10,896
Sub-investment grade or unrated[1)]	47,425	-	47,425
Total	**1,777,200**	**2,960,272**	**4,737,472**

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

Receivables from central banks includes a mandatory reserve deposits of DKK 318 million (2018: DKK 0 million). The mandatory reserve deposits are not free for withdrawal.

Investment grade government bonds with a fair value of DKK 3,320 million (2018: 0 million) is received as collateral for receivables from credit institutions.

(DKK 1,000)

CREDIT RISK - CREDIT INSTITUTIONS AND CENTRAL BANKS · continued

Receivables from credit institutions and central banks broken down by geography

2019	Credit institutions	Central banks	Total
Denmark	143,688	1,421,273	1,564,961
The Netherlands	1,550,606	19,798,585	21,349,191
Other Europe	4,120,970	3,056,618	7,177,588
USA	212,076	-	212,076
Australia	67,853	-	67,853
Asia	374,161	-	374,161
Other	8,989	-	8,989
Total	**6,478,343**	**24,276,476**	**30,754,819**

2018	Credit institutions	Central banks	Total
Denmark	187,018	966,559	1,153,577
The Netherlands	1,966	-	1,966
Other Europe	1,001,622	1,993,713	2,995,335
USA	213,784	-	213,784
Australia	64,777	-	64,777
Asia	300,173	-	300,173
Other	7,860	-	7,860
Total	**1,777,200**	**2,960,272**	**4,737,472**

(DKK 1,000)

CREDIT RISK - DERIVATIVES AND BONDS

Derivatives
Derivatives are subject to credit risk. Saxo Bank 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, but they do not qualify for offsetting the statement of financial position. The net current exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 518 million (2018: DKK 171 million) according to note 28 Offsetting financial assets and liabilities. 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 close out netting agreement.

Bond portfolio

2019	**Danish mortgage bonds**	**Government bonds**	**Other bonds**	**Total**
Bonds at fair value	13,798,200	6,907,020	-	20,705,220
Bonds at amortised cost	-	3,324,753	-	3,324,753
Accrued interest	-	-	-	122,242
Total	**13,798,200**	**10,231,773**	**-**	**24,152,215**
2018				
Bonds at fair value	13,852,941	7,863,676	166,427	21,883,044
Accrued interest	-	-	-	125,600
Total	**13,852,941**	**7,863,676**	**166,427**	**22,008,644**

Bond portfolio broken down by rating category

2019	**Danish mortgage bonds**	**Government bonds**	**Other bonds**	**Total**
AAA	8,762,251	2,431,718	-	11,193,969
AA+	4,848,786	3,318,949	-	8,167,735
AA	187,163	2,983,857	-	3,171,020
Sub-investment grade	-	1,497,249	-	1,497,249
Accrued interest	-	-	-	122,242
Total	**13,798,200**	**10,231,773**	**-**	**24,152,215**
2018				
AAA	7,699,728	898,421	166,424	8,764,573
AA+	6,153,213	3,897,148	-	10,050,361
AA	-	1,249,644	-	1,249,644
Sub-investment grade or unrated	-	1,818,463	3	1,818,466
Accrued interest	-	-	-	125,600
Total	**13,852,941**	**7,863,676**	**166,427**	**22,008,644**

Bonds with no rating in 2018 are mainly attributable to structured bonds.

(DKK 1,000)

CREDIT RISK - DERIVATIVES AND BONDS· continued

Bond portfolio broken down by geography

2019	**Danish mortgage bonds**	**Government bonds**	**Other bonds**	**Total**
Denmark	13,798,200	-	-	13,798,200
Other Europe	-	6,045,699	-	6,045,699
USA	-	4,186,074	-	4,186,074
Accrued interest	-	-	-	122,242
Total	**13,798,200**	**10,231,773**	**-**	**24,152,215**

2018	**Danish mortgage bonds**	**Government bonds**	**Other bonds**	**Total**
Denmark	13,852,941	-	-	13,852,941
Other Europe	-	3,448,042	166,424	3,614,466
USA	-	4,356,175	-	4,356,175
Other	-	59,459	3	59,462
Accrued interest	-	-	-	125,600
Total	**13,852,941**	**7,863,676**	**166,427**	**22,008,644**

CREDIT RISK - EXPECTED CREDIT LOSS

Expected credit losses (ECL) on financial assets
Saxo Bank Group recognises expected credit loss on financial assets measured at amortised cost. The expected credit loss is based on an estimate of the loss arising from difference between the expected cash flows and the contractual cash flows. The methodology takes account of both historical and prospective information and contains subjective estimates. The impairment model is based on a number of factors:

• The magnitude of the deterioration of the credit risk of the counterparty as compared to initial recognition.
• The probability of default of the counterparty (PD).
• The loss given default (LGD), taking account of collateral and forbearance measures.
• The exposure at default (EAD) of the counterparty.

A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets has occurred.

On transition from stage 1 to respectively stage 2 and stage 3, a significant increase in the credit risk is assessed based on the development in the borrowers deterioration of credit risk. Key characteristics for identification of a significant deterioration of credit risk compared to the determined credit risk on intial recognition of the assets:

• The borrower is in arrears for more than 30 days (stage 2) or 90 days (stage 3).
• Macroeconomic factors reflect a significant risk of deterioration of credit risk.
• The external ratings of the counterparties show a relative deterioration of credit risk exceeding the defined bandwidths.

Definition of default
• The borrower is in arrears for more than 90 days.
• The borrower is not expected to be able to meet its obligations.

Both quantitative and qualitative indicators and public available external credit ratings are applied when assessing the credit risk and whether the borrower is expected to be able to meet its obligations.

A financial asset transferred from stage 2 to 3 is determined credit-impaired.

(DKK 1,000)

CREDIT RISK - EXPECTED CREDIT LOSS · continued

Financial assets whose credit risk has not significantly deteriorated are classified as stage 1. Expected losses for these assets is based on the probability that the counterparty will be in default in a period of 1 year (year PD). For financial assets for which it is identified that the counterparty has a significant deterioration in credit risk are classified in stage 2 or stage 3. In these cases, the expected credit loss is determined on the basis of the probability of default over the entire term of the asset.

In addition to qualitative and quantitative indicators is applied a limit of more than 30 days as an indicator for a transition from stage 1 to stage 2, and a limit of 90 days of delay for the transition from stage 2 to stage 3. These limits can only be waived if there is valid and demonstrable evidence that the creditworthiness is different than on the basis of these limits.

Saxo Bank Group determines the expected credit loss on both an individual and collective basis. A collective approach can be elected as determined by the materiality and presence of identical nature and characteristics of the instruments. The Group adopts a collective approach to provisions for collateralised loans and has adopted parameters for the calculation of the provision for the mortgage portfolio that are applicable to the entire portfolio.

The determination of the expected future cash flows from a financial asset for which collateral has been received takes account of the cash flows that will arise on realisation of the collateral less the costs that will be incurred in obtaining and selling the collateral. The amount of any impairment loss is measured as the difference between the loans carrying amount and the present value of future expected cash flows, discounted at the original effective interest rate of the loan.

Modifications of financial assets (forbearance)
Forbearance occurs when a client is no longer able to fulfil the obligations due to financial difficulties or to financial difficulties to be expected within the near future and there in view of these circumstances has been made concessions on the terms and conditions of the credit agreement, that are intended to enable the client to fulfil the revised obligations. These concessions on the existing credit agreement relate to the clients' financial situation and would not have been made if these circumstances had not arisen. A forbearance situation ends when the status 'non-performing' has no longer applied to the loan for a period of two years. The 'non-performing' status must last a minimum of one year starting from the last forbearance measure. The client must moreover have made significant and regular payments of interest and/or principal during at least half this period. After expiry of the two-year period, no payments by the borrower may be in arrears for more than 30 days.

Loans and other receivables subject to forbearance measures amounts to DKK 28 million (2018: DKK 0 million) 31 December 2019.

Exposures before provision - loans and other receivables at amortised cost, guarantees etc.

2019	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and other receivables at amortised cost	9,888,751	3,064	7,872	9,899,687
Guarantees	14,781	-	53,579	68,360
Unutilised credit facilities	13,540	-	-	13,540
Total	**9,917,072**	**3,064**	**61,451**	**9,981,587**

Impairment allowance by stages

2019	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and other receivables at amortised cost	8,889	67	7,478	16,434
Guarantees	-	-	19,970	19,970
Unutilised credit facilities	-	-	-	-
Total	**8,889**	**67**	**27,448**	**36,404**

(DKK 1,000)

CREDIT RISK - EXPECTED CREDIT LOSS · continued

Exposures before provision - loans and other receivables at amortised cost, guarantees etc.

2018	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and other receivables at amortised cost	-	-	1,985	1,985
Guarantees	19,790	-	63,006	82,796
Unutilised credit facilities and loan commitments	50,000	-	-	50,000
Total	**69,790**	**-**	**64,991**	**134,781**

Impairment allowance by stages

2018	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and other receivables at amortised cost	-	-	1,847	1,847
Guarantees	-	-	19,970	19,970
Unutilised credit facilities and loan commitments	-	-	-	-
Total	**-**	**-**	**21,817**	**21,817**

A significant deterioration in the credit risk for the loans and receivables mainly depends on the days past due. The table shows the breakdown and the allowance for expected credit loss for relevant intervals:

	2019		2018	
	Carrying amount	Allowance	Carrying amount	Allowance
Days past due				
0-30 days	9,888,751	(10,150)	1,985	(1,847)
31-90 days	3,064	(59)	-	-
> 90 days	7,872	(6,225)	-	-
Total	**9,899,687**	**(16,434)**	**1,985**	**(1,847)**

Mortgages
The mortgage portfolio is individually assessed for expected credit loss. Changes in credit risk are monitored on the basis of payment arrears periods, forbearance measures and other additional agreements. A fixed criterion is adopted whereby arrears in interest and/or redemptions of more than 30 days are regarded as a significant deterioration of credit risk, after which these loans are included in stage 2.

Loans are classified as stage 3 when:
• loans have been in material arrears for over 90 days or
• are loans with a Probability of Default of 1 or
• have forbearance exposures for which the two-year probationary period that has yet to begin.

Limited historical information is available for the mortgage receivables, the parameters of the model for these instruments are determined on the basis of the available public information representative for the portfolios held. Macroeconomic variables such as the unemployment rate in the probability of default are also considered.

Loans collateralised with securities
Loans collateralised with securities are individually assessed for expected credit loss. Collateralised loans are automatically assessed at the time that the loans are issued, taking account of the funding percentages for the collateral that qualifies for that purpose. The loans granted are then monitored on the basis of real-time prices. The credit risk lies in movements in value of the collateral received. Specific attention is given to undesirable concentrations in client portfolios. A cover deficit arises when the value of the collateral is insufficient to cover the collateralised loans and/or margin obligations. The client must make up a cover deficit within one to five trading days. If the client fails to comply with this requirement then BinckBank N.V. is entitled to wind down the position. The provision for expected credit loss on loans collateralised with securities is then determined both individually (stage 3) and collectively on the basis of the historical loss on the entire portfolio. No other factors are taken into account in the determination of the provision for expected credit loss.

(DKK 1,000)

CREDIT RISK - EXPECTED CREDIT LOSS · continued

Other loans and receivables
Loans and other receivables are individually assessed for expected credit loss.

Financial guarantees and other unutilised facilites
Irrevocable facilities relate to outstanding mortgage offers for which there is a financing commitment to the service provider. In view of the nature of the products, the contractual terms and the security it is assessed that the expected credit loss on these off-balance items is very limited and consequently no expected credit loss is recognised.

Guarantees and other unutilised facilities are individually assessed for expected credit loss.

Cash in hand and demand deposits and receivables from credit institutions and central banks
Cash in hand and demand deposits and receivables from credit institutions and central banks are individually assessed for expected credit loss. The receivables are on demand, as a result the expected credit loss is determined on the basis of a period of less than one year and classified as stage 1. Ratings provided by external rating agencies are taken into account in determining the provision for expected credit loss. No other variables or factors are taken into account in determining the the provision for the expected credit loss. 12 month ECL (stage 1) for these financial assets amounts to DKK 6 million (2018: DKK 2 million) at 31 December 2019.

Bonds at amortised cost
Bonds at amortised cost are individually assessed for expected credit loss. The investment portfolio consists solely of investments with an investment grade rating. Based on the investment grade rating the investments are considered to have a low credit risk and it is assumed that the credit risk has not deteriorated since initial recognition. The investments are classified in stage 1. No other variables or factors are taken into account in determining the the provision for the expected credit loss. 12 month ECL (stage 1) for these financial assets amounts to DKK 0.2 million (2018: DKK 0 million) at 31 December 2019.

Impairment allowance in total for financial assets at amortised cost and guarantees

2019	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Impairment allowance 1 January 2019	2,265	-	21,817	24,082
Decreases due to redemptions and derecognition	(356)	(15)	(497)	(868)
Increases due to orgination and acquisition	9,844	356	-	10,200
Changes due to change in credit risk (net)	3,299	(275)	6,270	9,294
Changes due to modifications with derecognition (net)	-	-	(142)	(142)
Impairment allowance 31 December 2019	**15,052**	**66**	**27,448**	**42,566**

2018	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Impairment allowance 1 January 2018	-	-	115,106	115,106
Restatement of prior year due to change in accounting policy	17,190	29,629	(10,971)	35,848
Disposal of activities in Saxo Privatbank A/S and shares in Saxo Payments A/S	(14,395)	(29,629)	(88,620)	(132,644)
Changes due to change in credit risk (net)	(530)	-	15,554	15,024
Amounts written down	-	-	(4,207)	(4,207)
Other movements	-	-	(5,045)	(5,045)
Impairment allowance 31 December 2018	**2,265**	**-**	**21,817**	**24,082**

The acquisition of Binckbank N.V. is the primarily change in the gross carrying amount during the period that contribute to changes in the impairment allowance.

Securities lending
Saxo Bank Group acts through the subsidiary BinckBank N.V. acquired in 2019 as the principal in the borrowing and lending of securities.
The following table list the receivables and payables relating to the securities recognised and loans provided, inclusive the collateral received.

	2019	**2018**
Receivables in respect of securities lending	529,681	-
Collateral received	551,710	-
Liabilities in respect of securities lending	502,169	-
Collateral pledged	527,967	-

(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.

Saxo Bank Group's market risks can be grouped into the following main categories:

1. Market risk exposures arising from the accumulation, matching and optimisation of hedges within Trading and Market Access supporting the Group's online trading and investment services.
2. Investments/liquidity buffer related market risk exposures in Group Treasury.

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 on a regular basis reported to all governing levels of Saxo Bank Group, including the Board of Directors.

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.

During 2019 it was decided to discontinue Expected Shortfall (ES) as a tool for managing market risk. The main reason behind this decision is that other risk measures (net/gross positions and sensitivities) included in the limits set by the Board of Directors were more representative for the nature and size of risk taken by Saxo Bank Group. The complexity of ES was therefore not warranted going forward and more simple measures for each asset class contributed to a better understanding of the market risks taken by the Group.

Trading and investment services
Saxo Bank Group operates its trading and investment business using the Group's online trading and investment platforms. 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.

Management, monitoring and reporting
The market risk is quantified and monitored against exposure limits set by the Board of Directors.

Exposure limit utilisation is monitored on a continuous basis and is evaluated on an end-of-day basis by an independent second line risk management function being responsible for monitoring and reporting. 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 interest rate risk are set overall on a net and a gross basis but also for different rating categories and issuers. In addition, concentration risk with respect to investments in bonds is limited to a fraction of the outstanding amount of the individual bond series.

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

Acquisition of BinckBank N.V.
The completion of the acquisition of BinckBank N.V. in August 2019 accentuated the need for a consolidated risk management process for Saxo Bank Group. Monitoring, controlling and reporting had to comply with overall group processes and market risks are increasingly seen on a consolidated basis. The interest exposure in BinckBank N.V. arises primarily from investments in European government bonds, US Treasury bonds and a portfolio of Dutch mortgages. In addition, interest rate swaps are used for managing the duration of this portfolio. BinckBank N.V. has no or only limited exposures to foreign exchange rate risk, equity prices or commodity prices due to the applied business model where client trades are fully hedged.

Interest rate risk
Interest rate risk is the risk of loss on positions in interest rate sensitive instruments – most distinct in bonds but also in interest rate futures and derivatives. With the acquisition of BinckBank N.V, Saxo Bank Group has experienced an increase of assets and liabilities in its Banking Book. The primary risk exposures in this portfolio are towards market risks, i.e. interest rate and credit spread risk. The risk management of the portfolio of Banking Book items in BinckBank is subject to applicable regulation and guidelines by the European Central Bank (ECB). The Banking Book portfolio in Saxo Bank Group is managed by Group Treasury.

Saxo Bank Group manages its interest rate risk by applying limiting both net and gross positions for the Banking book and Trading book portfolio respectively. The sensitivities for each of the two portfolios are shown below.

	2019		2018	
Interest rate risk sensitivity	**+1%**	**-1%**	**+1%**	**-1%**
Interest rate risk on financial instruments included in the trading portfolio	92,551	(92,551)	117,004	(117,004)
Interest rate risk on bonds and loans included in the banking book	(36,678)	40,168	(21,371)	21,371

Due to differences in calculation method the two interest rate sensitivities cannot be summed.

(DKK 1,000)

MARKET RISK · continued

Interest rate risk is calculated by a parallel shift in the interest rate curve with one percentage point and the numbers reflects the estimated impact on profit before tax.

Foreign currency risk
Foreign currency risk is the risk of loss on positions in foreign currency products due to changes in currency rates. Included in this is the loss of positions in currency derivatives as currency options. Saxo Bank Group measures its foreign currency risk by calculating the higher of the sum (per currency) of all long foreign currency positions or the sum of short foreign currency positions. The corresponding sensitivity is calculated by applying a loss-generating shift to the exchange rate of 1%.

Saxo Bank Group's foreign currency positions and sensitivity can be specified as follows:

	2019		2018		
Long positions	**Exposure**	**Sensitivity (1%)**		**Exposure**	**Sensitivity (1%)**
GBP	27,526	275	CHF	27,146	271
JPY	22,473	225	PLN	23,851	239
NOK	8,830	88	HUF	10,267	103
CNH	8,496	85	XAU	6,361	64
CAD	7,528	75	CNY	5,448	54
Other	9,433	94	Other	18,786	188
Total long positions	**84,286**	**842**		**91,859**	**919**
Short positions	**Exposure**	**Sensitivity (1%)**		**Exposure**	**Sensitivity (1%)**
EUR	59,854	599	EUR	79,386	794
PLN	17,802	178	INR	19,432	194
SGD	8,360	84	SGD	15,997	160
RUB	4,706	47	NOK	13,161	132
MXN	4,698	47	USD	10,743	107
Other	14,316	143	Other	17,275	173
Total short positions	**109,736**	**1,098**		**155,994**	**1,560**
Total gross		**1,940**			**2,479**

Equity risk
Equity risk is the risk of losses due to changes in equity prices. Saxo Bank Group manages its equity price risk exposure by limiting both net and gross positions in cash equities and the delta equivalent of positions in equity derivatives. The sensitivities are calculated by applying an unfavourable move in equity prices of 5% for each of the positions:

	2019		2018	
	Exposure	**Sensitivity (5%)**	**Exposure**	**Sensitivity (5%)**
Long	9,956	498	11,752	588
Short	22,014	1,101	7,992	400
Total gross	**31,970**	**1,599**	**19,744**	**988**

(DKK 1,000)

MARKET RISK · continued

Commodity risk
Commodity risk is the risk of losses due to changes in commodity prices. The exposure towards commodities due to positions in financial instruments is limited to facilitating client flow. Saxo Bank Group manages its commodity price risk by limiting its net exposure. The net exposure is determined by measuring each commodity types exposure and applying an unfavourable shift of 5% for each commodity type. Saxo Bank Group's net commodity exposure is shown below:

	2019		2018	
Commodity type	**Exposure**	**Sensitivity (5%)**	**Exposure**	**Sensitivity (5%)**
Silver	3,787	189	116	6
Platinum	1,120	56	831	42
Brent Crude	952	48	325	16
Light Sweet Crude Oil	913	46	130	7
Palladium	692	35	68	3
Coffee	479	24	438	22
Low Sulphur Gasoil	474	24	231	12
Copper	470	24	387	19
Corn	430	22	42	2
Wheat	371	19	202	10
Gasoline	329	16	139	7
CO2	324	16	377	19
Ultra Low Sulphur Heating Oil	285	14	217	11
Natural Gas	255	13	558	28
Live Cattle	177	9	142	7
Soybeans	109	5	217	11
Sugar	82	4	74	4
Cocoa	51	3	102	5
Dutch Power	0	0	2,936	147
Total gross	**11,300**	**567**	**7,532**	**378**

(DKK 1,000)

MARKET RISK · continued

Derivative financial instruments	2019 Notional amount	2019 Positive fair value	2019 Negative fair value	2018 Notional amount	2018 Positive fair value	2018 Negative fair value
Currency contracts						
Forwards/futures purchased	18,030,205	66,060	(200,257)	21,810,416	264,426	(145,934)
Forwards/futures sold	24,218,534	296,269	(156,399)	28,734,077	120,508	(217,758)
Options purchased	20,705,360	36,336	(111,723)	20,261,143	42,446	(128,375)
Options written	20,886,646	124,713	(41,079)	21,750,529	180,477	(44,079)
Unsettled spot purchased	19,413,526	797,971	(119,579)	22,562,958	855,095	(80,481)
Unsettled spot sold	19,603,660	662,332	(43,966)	21,906,705	694,197	(74,301)
Interest rate contracts						
Forwards/futures purchased	9,705,825	22,527	(3,264)	9,518,899	1,238	(31,767)
Forwards/futures sold	9,422,958	804	(27,416)	9,461,452	34,550	(1,082)
Options purchased	11,654,415	1,141	(4,456)	1,963,559	813	(1,881)
Options written	11,654,415	4,456	(1,141)	1,963,559	1,881	(794)
Interest swaps[1)]	2,174,003	8,145	(104,395)	335,897	-	(59,319)
Equity contracts						
Forwards/futures purchased	18,603,504	704,760	(623,203)	12,478,945	1,436,359	(210,918)
Forwards/futures sold	17,683,522	970,968	(65,711)	12,179,376	363,228	(199,640)
Options purchased	15,133,662	894	(347,676)	14,532,575	239	(394,030)
Options written	15,129,623	347,656	(940)	14,531,668	393,895	(243)
Commodity contracts						
Forwards/futures purchased	2,955,226	23,193	(67,238)	4,453,067	135,714	(84,771)
Forwards/futures sold	2,977,040	68,933	(13,347)	4,790,643	54,263	(66,239)
Options purchased	1,822,757	868	(25,297)	2,902,709	1,029	(41,431)
Options written	1,822,757	25,297	(869)	2,902,709	41,431	(1,018)
Other contracts						
Turbos	394,933	387,587	(394,933)	-	-	-
Total derivatives held for trading purpose		**4,550,910**	**(2,352,889)**		**4,621,789**	**(1,784,061)**

1) Interest swaps are presented as Other assets and Other liabilities, note 18 and 20.

OPERATIONAL RISK

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, compliance and model risk.

Operational risk considers direct financial losses as well as indirect financial impact through reputational damage from a specific event and is inherent in all products, processes, systems and activities within the Saxo Bank Group, in outsourced activities and in all interactions with external parties.

Operational risk management
The Board of Directors has defined the principles for operational risk management in the Saxo Bank Group Operational Risk Policy and articulated the Group's operational risk appetite in accordance with the Group's strategic objectives. The Group has defined four operational risk appetite levels: No, Low, Moderate and High where each level expresses the expectations for tolerated exceptions, the internal control environment, and the level of urgency when responding to risk events.

The Saxo Bank Group Operational Risk Policy, the Operational Risk Appetite Statements and levels are reviewed as often as needed and as minimum once a year.

The Board of Management oversees the Saxo Bank 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.

Operational Risk Management Framework
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. Operational risks are not desired risks and the Saxo Bank Group seek to proactively and reactively mitigate such risks in adherence with the Group's risk appetite and that risk management efforts are aligned with the Group's risk culture objectives.

Operational risks are identified and assessed through regular self-assessment processes, at least annually, to assess the quality of internal controls, ensure that all material operational risks inherent in the Saxo Bank Group's products, activities, processes and systems are captured and reassessed in a systematic and timely manner and identify areas for improvements. Moreover, all material changes in the Group's products, activities, processes and systems are subject to a formal, internal risk assessment and approval processes. Particular focus is placed on the understanding of the Group's resilience to operational risk exposures with a low likelihood of occurrence yet can have a severe impact on the business.

Saxo Bank Group strives to obtain maximum learning from materialised operational risk events and observed near-misses, to continually improve the Group's operational risk management framework. Risk events above a defined threshold are collected in a central repository and risk assessments and root cause analysis are performed to effectively address and provide future mitigants to material events.

Further, Saxo Bank Group monitors trends and anomalies in risk management indicator data to identify changes within risk management areas that may warrant further analysis and mitigation, and/or support risk profile conclusions.

Through the Contingency Risk Management framework, Saxo Bank Group is concerned with proactive maintenance of adequate contingency capabilities and effective risk handling through activation of said capabilities, whenever needed. The framework is intended to provide that the Group has business resiliency and continuity plans in place to ensure its ability to operate on an ongoing basis and limit losses in the event of a severe business disruption. The Group mitigates its contingency risk through Crisis Management, Business Continuity and/or Insurance Management.

Saxo Bank Group proactively seeks to identify operational risk scenarios that may develop into crisis scenario, defined as a very severe undesirable situation that threatens the Group's ability to execute on its strategic objectives. Such operational risks are identified and assessed using scenario analysis which are considered for the Group's capital and crisis management planning.

LIQUIDITY RISK

Liquidity requirements
Saxo Bank A/S 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 Liquidity Coverage Ratio (LCR) requirement stipulates 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 minimum LCR requirement is 100%.

As of 31 December 2019, the Saxo Bank Group's reported LCR ratio was 450% (2018: 264%). The Group is highly liquid and holds a large portfolio of Level 1 assets hereunder cash at central banks.

ILAAP requirement
In addition to the above Saxo Bank Group is obligated to hold liquidity of at least 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 standard. The ILAAP is performed based on guidelines issued by the Danish FSA.

The assessment of the ILAAP result is based on an internal process in which management evaluates the liquidity risks, the overall liquidity management framework and the funding risks. Saxo Bank Group has implemented liquidity stress testing based on the LCR. Stress tests are conducted by minimum on a monthly basis. The Group continuously monitors its liquidity and LCR level in order to ensure compliance with the regulatory standards.

The Saxo Bank Group operates with a liquidity buffer available at all times in the form of unencumbered, highly liquid securities and cash instruments to address the estimated potential cash needs during a liquidity crisis. However, the Group acknowledges the value of flexibility and the balance between the counterparty risks associated with holding cash during a liquidity crisis and the importance of having sufficient liquidity during the initial phase of a liquidity crisis.

Additional information about the Saxo Bank Group's liquidity risk and ILAAP is disclosed in the unaudited Risk Report 2019 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 Saxo Bank Group is required to report and monitor NSFR. The regulatory minimum requirement is expected to be set to 100% when implemented in 2021, a level that is already met by the NSFR ratio in the Group.

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

Asset Encumbrance as per end of 2019 is disclosed in the unaudited Risk Report 2019 and is available at www.home.saxo/about-us/icaap-and-risk-reports.

CAPITAL ADEQUACY

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

Saxo Bank A/S is required to fulfil and report capital requirements on Saxo Bank A/S and Saxo Bank 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 2019, the Common Equity Tier 1 Capital (CET1), Tier 1 Capital and Total Capital for the Saxo Bank Group were DKK 3.6 billion, DKK 4.4 billion and DKK 5.5 billion, respectively, after inclusion of the total comprehensive income for the year, compared with DKK 3.5 billion, DKK 3.8 billion and DKK 4.2 billion as of 31 December 2018.

The statement of Total Capital for the Saxo Bank Group on page 42 and for Saxo Bank A/S on page 113 provides a specification of Total Capital including Common Equity Tier 1 capital, Tier 1 capital and Tier 2 capital, and note 22 in the consolidated financial statements provides a specification of subordinated debt.

The unaudited Risk Report 2019 provides additional information regarding the Bank's and the Saxo Bank 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 Saxo Bank A/S and Saxo Bank 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

Saxo Bank A/S and the Saxo Bank 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 16.8 billion as of 31 December 2019 compared with DKK 12.0 billion as of 31 December 2018.

The unaudited Risk Report 2019 provides additional information about the Saxo Bank A/S' and the Saxo Bank Group's risk exposures amounts and is available at www.home.saxo/about-us/icaap-and-risk-reports.

CAPITAL ADEQUACY · continued

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 2019.

Additional buffer requirements
According to CRD IV the Saxo Bank Group is required to hold a "Capital Conservation Buffer" of 2.5% of the risk exposure amounts to further protect the capital.

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 accumulate capital in periods with high economic growth. The total countercyclical buffer rate for the Saxo Bank Group was 0.48% per 31 December 2019. The primary driver in the countercyclical buffer rate of both the Saxo Bank A/S and the Saxo Bank Group is the buffer rate set in Denmark and the Netherlands.

ICAAP requirement
The Saxo Bank 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 Saxo Bank Group met the regulatory capital requirements throughout the year 2019.

The ICAAP Q4 2019 Report provides information regarding the Saxo Bank A/S' and the Saxo Bank 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 Saxo Bank 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 2019, the Leverage Ratios were respectively 12.5% (2018: 11.4%) for Saxo Bank A/S and 5.7% (2018: 10.9%) for the Saxo Bank Group, with both entities being above the expected minimum requirement of 3.0% once implemented in 2021.

The unaudited Risk Report 2019 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 million)	**2019[1)]**	**2018[2)]**	**2017**	**2016**	**2015[3)]**
Highlights					
Income statement					
Net interest, fees and commissions	1,974	1,997	1,940	1,530	1,353
Price and exchange rate adjustments	637	789	1,087	1,400	774
Staff costs and administrative expenses	(2,582)	(2,210)	(2,151)	(2,084)	(2,297)
Impairment charges loans and receivables etc.	(9)	(13)	8	(97)	(40)
Income from associates and joint ventures	(0)	-	-	-	(53)
Net profit before tax	109	1,029	554	418	(778)
Net profit	40	963	401	302	(645)
Statement of financial position					
Loans and other receivables at amortised cost	9,883	-	1,686	1,691	1,793
Deposits	59,311	21,370	27,811	27,930	22,735
Subordinated debt	1,140	370	351	529	674
Total equity	7,082	5,552	4,621	4,238	3,938
Total assets	74,930	34,484	39,956	43,579	33,502
Other					
Clients' assets	375,495	112,578	103,622	92,350	77,568
Full-time-equivalent staff (end-of-year)	2,170	1,658	1,594	1,639	1,516
EBITDA					
Net profit before tax	109	1,029	554	418	(778)
Adjusted for:					
Depreciation and amortisation	612	312	306	351	535
Income from associates and joint ventures	0	-	-	-	53
Interest expenses, non-core	100	67	72	76	81
EBITDA	**822**	**1,408**	**932**	**845**	**(109)**

[1)] Key figures and ratios are impacted by acquisition of BinckBank N.V., see note 24 Acquisition of businesses.
[2)] Key figures and ratios are impacted by divestment of the activities in Saxo Privatbank A/S and the shares in Saxo Payment A/S, see note 25 Divestments.
[3)] Key figures and ratios are impacted by the Swiss event.

Key figures and ratios continued on page 105.

NOTES – KEY FIGURES AND RATIOS – SAXO BANK GROUP

(DKK million)	2019	2018	2017	2016	2015
Highlights · continued					
Key figures and ratios					
Total capital ratio	32.9%	35.0%	22.7%	19.5%	20.7%
Tier 1 capital ratio	26.3%	32.0%	20.4%	17.1%	17.4%
Return on equity before tax	1.7%	20.2%	12.5%	10.2%	-19.1%
Return on equity after tax	0.6%	18.9%	9.1%	7.4%	-15.8%
Income/cost ratio	103.4%	140.2%	122.3%	116.5%	73.1%
Interest rate risk	1.3%	2.5%	4.1%	4.3%	2.5%
Foreign exchange rate risk/Tier 1 capital	5.5%	4.1%	13.8%	20.2%	15.0%
Value at risk of foreign exchange rate risk/Tier 1 capital	0.0%	0.0%	0.1%	0.0%	0.2%
Loans and other receivables plus impairment allowance/Deposits	16.7%	0.1%	6.5%	6.8%	8.5%
Loans and other receivables proportional to Total equity	1.40	0.00	0.36	0.40	0.46
Growth in loans and other receivables	>1,000%	-100.0%	-0.3%	-5.7%	-2.3%
Excess liquidity coverage/liquidity requirement [4)]	-	-	444.7%	438.1%	387.1%
Liquidity coverage ratio [4)]	450.1%	264.4%	204.9%	159.7%	-
Sum of large exposures/CET1 capital [5)]	28.3%	10.1%	-	-	-
Loss and provisions ratio	0.1%	15.3%	-0.3%	3.5%	1.4%
Return on assets	0.1%	2.8%	1.0%	0.7%	-1.9%

[4)] From 2018 section 152 on liquidity in the Danish Financial Business act has been replaced by the Liquidity Coverage Ratio.
[5)] Change in computation of large exposures applied from 2018. Comparative figures are not restated.

See page 106 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.
Common equity tier 1 capital (CET1)	Primarily paid-up share capital and retained earnings excluding intangible assets and other deductions.
Additional tier 1 capital (AT 1)	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.
CET1 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 Statement Act) measured as a percentage of the statutory minimum liquidity requirement.
Liquidity coverage ratio	Liquidity Coverage Ratio measures the amount of high quality liquid assets as a percentage of the net liquidity outflow. The ratio is subject to the 100 pct. minimum requirement.
Sum of large exposures/CET1 capital	Large exposures as a percentage of CET1 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.
Full-time-equivalent staff (End of year)	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at 31 December.

SAXO BANK A/S FINANCIAL STATEMENTS

INCOME STATEMENT – SAXO BANK A/S

1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2019	2018
2	Interest income	1,292,186	1,555,540
3	Interest expense	(237,426)	(307,357)
	Net interest income	**1,054,760**	**1,248,183**
4	Fee and commission income	1,288,021	1,300,644
5	Fee and commission expense	(1,533,462)	(1,610,205)
	Net interest, fees and commissions	**809,319**	**938,622**
6	Price and exchange rate adjustments	617,456	783,686
	Operating income	**1,426,775**	**1,722,308**
7	Other income	661,311	835,580
8	Staff costs and administrative expenses	(1,698,964)	(1,453,834)
	Depreciation, amortisation and impairment of intangible and tangible assets	(515,818)	(288,735)
	Other expenses	(6,137)	(6,538)
	Impairment charges loans and receivables etc.	(3,519)	(11,815)
	Income from subsidiaries and joint ventures	182,693	201,917
	Profit before tax	**46,341**	**998,883**
9	Tax	(6,964)	(11,391)
	Net profit	**39,377**	**987,492**
	Net profit attributable to:		
	Equity method reserve	137,770	169,381
	Additional tier 1 capital holders	36,236	32,643
	Retained earnings	(134,629)	785,468
	Net profit	**39,377**	**987,492**

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

Note	(DKK 1,000)	2019	2018
	Net profit	**39,377**	**987,492**
	Other comprehensive income		
	Items that will not be reclassified to income statement:		
	Other comprehensive income from subsidiaries, net of tax	(1,032)	(1,456)
	Items that will not be reclassified to income statement	(1,032)	(1,456)
	Items that are or may be reclassified to income statement:		
	Exchange rate adjustments	81,346	41,867
21	Hedge of net investments in foreign entities	(57,590)	(15,087)
	Items reclassified to income statement	-	233
	Other comprehensive income from subsidiaries, net of tax	2,111	5,384
9	Tax	12,670	2,570
	Items that are or may be reclassified to income statement	38,537	34,967
	Total other comprehensive income	**37,505**	**33,511**
	Total comprehensive income	**76,882**	**1,021,003**
	Total comprehensive income attributable to:		
	Equity method reserve	175,275	341,424
	Additional tier 1 capital holders	36,236	32,643
	Retained earnings	(134,629)	646,936
	Total comprehensive income	**76,882**	**1,021,003**

STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S
AT 31 DECEMBER

Note	(DKK 1,000)	2019	2018
	ASSETS		
	Cash in hand and demand deposits with central banks	280,442	967,335
10	Receivables from credit institutions and central banks	5,416,481	1,018,901
11,12	Loans and other receivables at amortised cost	87,356	119,818
13	Bonds at fair value	19,873,943	20,761,035
	Equities etc.	7,756	27,784
	Investments in subsidiaries	5,590,167	2,316,740
	Investments in joint ventures	580,430	-
14	Intangible assets	1,726,924	1,790,068
	Tangible assets	83,749	71,102
	Tax receivables	63,541	48,151
9	Deferred tax assets	21	791
15	Other assets	4,550,359	4,930,405
	Prepayments	72,861	68,958
	Total assets	**38,334,030**	**32,121,088**
	LIABILITIES		
16	Debt to credit institutions and central banks	4,236,231	5,315,220
17	Deposits	22,961,950	18,588,093
	Tax liabilities	860	12,271
18	Other liabilities	2,742,165	2,080,281
	Total debt	**29,941,206**	**25,995,865**
9	Deferred tax liabilities	17,426	30,148
11,12	Provision for guarantees	19,970	19,970
	Other provisions	194,313	152,078
	Total provisions	**231,709**	**202,196**
19	**Subordinated debt**	**1,139,555**	**370,291**
20	**EQUITY**		
	Share capital	75,207	68,284
	Share premium	996,288	-
	Equity method reserve	920,517	745,242
	Retained earnings	4,231,785	4,393,219
	Shareholders of Saxo Bank A/S	**6,223,797**	**5,206,745**
	Additional tier 1 capital	797,763	345,991
	Total equity	**7,021,560**	**5,552,736**
	Total liabilities and equity	**38,334,030**	**32,121,088**

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

(DKK 1,000)	Share capital	Share premium	Equity method reserve	Retained earnings	Total	Additional tier 1 capital	Total
Equity at 1 January 2018	**68,284**	-	**428,531**	**3,741,009**	**4,237,824**	**346,048**	**4,583,872**
Restatement due to changes in accounting policies	-	-	(24,713)	(1,785)	(26,498)	-	(26,498)
Restated equity 1 January 2018	**68,284**	-	**403,818**	**3,739,224**	**4,211,326**	**346,048**	**4,557,374**
Net profit	-	-	169,381	785,468	954,849	32,643	987,492
Transfers due to divestments	-	-	129,655	(129,655)	-	-	-
Other comprehensive income							
Exchange rate adjustments	-	-	41,867	-	41,867	-	41,867
Hedge of net investments in foreign entities	-	-	(15,087)	-	(15,087)	-	(15,087)
Items reclassified to income statement	-	-	233	-	233	-	233
Other comprehensive income from subsidiaries, net of tax	-	-	3,928	-	3,928	-	3,928
Other equity movements	-	-	8,877	(8,877)	-	-	-
Tax	-	-	2,570	-	2,570	-	2,570
Total other comprehensive income	-	-	42,388	(8,877)	33,511	-	33,511
Total comprehensive income	**-**	**-**	**341,424**	**646,936**	**988,360**	**32,643**	**1,021,003**
Transactions with owners							
Tier 1 interest payments	-	-	-	-	-	(32,700)	(32,700)
Share-based payments	-	-	-	7,059	7,059	-	7,059
Equity at 31 December 2018	**68,284**	**-**	**745,242**	**4,393,219**	**5,206,745**	**345,991**	**5,552,736**
Net profit	-	-	137,770	(134,629)	3,141	36,236	39,377
Other comprehensive income							
Exchange rate adjustments	-	-	81,346	-	81,346	-	81,346
Hedge of net investments in foreign entities	-	-	(57,590)	-	(57,590)	-	(57,590)
Other comprehensive income from subsidiaries, net of tax	-	-	1,079	-	1,079	-	1,079
Tax	-	-	12,670	-	12,670	-	12,670
Total other comprehensive income	-	-	37,505	-	37,505	-	37,505
Total comprehensive income	**-**	**-**	**175,275**	**(134,629)**	**40,646**	**36,236**	**76,882**
Transactions with owners							
Increase in share capital	6,923	996,288	-	-	1,003,211	-	1,003,211
Issuance of Additional tier 1 capital, net of transaction costs[1)]	-	-	-	(6,927)	(6,927)	448,270	441,343
Tier 1 interest payments	-	-	-	-	-	(32,734)	(32,734)
Share-based payments and repurchase	-	-	-	(23,597)	(23,597)	-	(23,597)
Treasury shares	-	-	-	3,325	3,325	-	3,325
Other equity movements	-	-	-	394	394	-	394
Equity at 31 December 2019	**75,207**	**996,288**	**920,517**	**4,231,785**	**6,223,797**	**797,763**	**7,021,560**

[1)] Transaction costs DKK 6.9 million are deducted in retained earnings.

STATEMENT OF TOTAL CAPITAL – SAXO BANK A/S

AT 31 DECEMBER

(DKK 1,000)	2019	2018
Tier 1 capital		
Total equity 1 January	5,206,745	4,211,326
Net profit	39,377	987,492
Accrued interest (dividend) on Additional tier 1 capital	(36,236)	(32,643)
Cost of issuance of Additional tier 1 capital	(6,927)	-
Share-based payments	(23,597)	7,059
Total other comprehensive income	37,505	33,511
Treasury shares	3,325	-
Change in Common equity tier 1 capital (CET1 capital)	1,003,605	-
Intangible assets	(1,822,979)	(1,790,068)
Deferred tax liabilities, intangible assets	132,390	84,907
Deferred tax assets	(196,917)	-
Prudent valuation adjustments	(25,899)	(27,013)
Common equity tier 1 capital (net after deduction)	**4,310,392**	**3,474,571**
Additional tier 1 capital	783,072	334,802
Total tier 1 capital	**5,093,464**	**3,809,373**
Tier 2 capital		
Subordinated debt	1,119,820	360,672
Total tier 2 capital	**1,119,820**	**360,672**
Total capital	**6,213,284**	**4,170,045**
Risk exposure amounts		
Credit risk	8,880,714	4,905,260
Market risk	3,273,698	3,368,663
Operational risk	3,199,219	3,470,485
Total Risk exposure amounts	**15,353,631**	**11,744,408**
Common equity tier 1 ratio	28.1%	29.6%
Tier 1 capital ratio	33.2%	32.4%
Total capital ratio	40.5%	35.5%

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 2019 provides further information on the assessment of the regulatory capital and is available on Saxo Bank Group's website www.home.saxo/about-us/icaap-and-risk-reports.

Note (DKK 1,000)

1 **Accounting policies**

The financial statements of Saxo Bank A/S have been prepared in accordance with the Danish Financial Business Act and the Danish executive order on financial reports for credit institutions and investment companies, etc. The accounting policies for Saxo Bank A/S are the same as for the Saxo Bank Group, note 1 to the consolidated financial statements, with the exception of the items below.

Change in comparative figures
Comparative figures for 2018 have been changed:

- Accrued interest was in 2018 presented in Other assets and Other liabilities. The presentation is changed and the accrued interest is presented together with the asset/liability it is associated with.
- Change in accounting of income tax on interest on additional tier 1 capital.

Additionally, certain changes have been made to the comparative figures for 2018 due to reclassifications.

Change in accounting policies

Leases
Saxo Bank A/S has adopted the new accounting rules on leases from 1 January 2019. The new accounting rules changes the accounting principles for operational leases and requires, for leases in which Saxo Bank A/S is the lessee, recognition of a right-of-use asset and a lease liability in the statement of financial position for all operational leases with a few exceptions. In the income statement the leasing expense will consist of 2 elements: a depreciation charge and an interest expense, unlike the previous accounting rules where the annual leasing payments were recognised in Staff costs and administrative expenses.

The change in accounting policy is applied prospectively with the cumulative impact recognised at 1 January 2019.

On implementation at 1 January 2019 Saxo Bank A/S recognised right-of-use assets of DKK 19 million and lease liabilities of DKK 19 million. As a result, the impact on equity is DKK 0 million. Right-of-use-assets are presented as Tangible assets and lease liabilities as Other liabilities.

Reconciliation of lease liability:

Operating lease commitments disclosed at 31 December 2018	**399,554**
Change in assessment of the lease term	11,854
Less intercompany lease agreement	(390,729)
Less short-term leases not recognised as a liability	(591)
Discount	(916)
Lease obligations recognised 1 January 2019	**19,172**

Saxo Bank A/S has entered into a lease agreement with its 100% owned subsidiary Ejendomsselskabet Bygning 119 A/S regarding office premises. The subsidiary is measured in accordance with the equity method. The intercompany lease agreement is eliminated when applying the new accounting rules for leases. Hence the intercompany lease continues to be accounted for as operational lease and does not impact the statement of financial position 1 January 2019.

The accounting policy from 1 January 2019 is described in Note 1 in the consolidated financial statements.

Income tax
The accounting of the tax impact of the distribution of interest on Saxo Bank A/S' equity accounted Additional tier 1 capital has changed. The tax impact is recognised in the income statement instead of directly in the equity as previously. The net impact on equity 1 January 2019 is DKK 0 million as it is a reclassification between net profit and directly in equity. Comparative figures have been adjusted accordingly by recognising the tax impact through the income statement instead of directly in equity.

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.

Note (DKK 1,000)

1 Accounting policies - continued

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 and presented in the 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 and investments in 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.

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.

Financial instruments measured at amortised cost
The carrying amount for financial assets and financial liabilities measured at amortised cost is a reasonable approximation of the fair value. For this reason the disclosure of the fair value is omitted.

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

Note	(DKK 1,000)	2019	2018
2	**Interest income**		
	Credit institutions and central banks	14,391	15,258
	Loans and other receivables	50,006	45,237
	Bonds at fair value	212,447	209,606
	Derivative financial instruments	1,015,319	1,284,367
	Other interest income	23	1,072
	Total interest income	**1,292,186**	**1,555,540**
	Interest received due to negative interest rates DKK 9 million (2018: 9 million) is recognised as interest income.		
3	**Interest expense**		
	Credit institutions and central banks	(15,788)	(22,856)
	Deposits	(65,830)	(44,113)
	Subordinated debt	(74,800)	(53,268)
	Derivative financial instruments	(80,111)	(186,940)
	Interest expense leases	(880)	-
	Other interest expense	(17)	(180)
	Total interest expense	**(237,426)**	**(307,357)**
	Interest paid due to negative interest rates DKK 0 million (2018: DKK 0 million) is recognised as interest expense.		
4	**Fee and commission income**		
	Trading with equities and derivative financial instruments	1,288,021	1,300,644
	Total fee and commission income	**1,288,021**	**1,300,644**
5	**Fee and commission expense**		
	Trading with equities and derivative financial instruments	(1,533,462)	(1,610,205)
	Total fee and commission expense	**(1,533,462)**	**(1,610,205)**
6	**Price and exchange rate adjustments**		
	Bonds at fair value	(164,618)	(171,950)
	Foreign exchange	557,216	672,164
	Derivative financial instruments [1]	224,858	283,472
	Total price and exchange rate adjustments	**617,456**	**783,686**
	[1] Other than foreign exchange.		
7	**Other income**		
	Gain from disposal of intellectual property rights	629,531	-
	Gain on divestments	-	802,231
	Service agreements and administrative services	26,899	30,645
	Other	4,881	2,704
	Total other income	**661,311**	**835,580**
	Details on disposal of intellectual property rights and gain on divestments are disclosed in note 14 and note 25 in the consolidated financial statements.		

Note	(DKK 1,000)	2019	2018
8	**Staff costs and administrative expenses**		
	Staff costs	(799,979)	(704,561)
	Administrative expenses	(898,985)	(749,273)
	Total staff costs and administrative expenses	**(1,698,964)**	**(1,453,834)**
	Staff costs		
	Salaries	(799,385)	(735,079)
	Share-based payments	(1,683)	370
	Defined contribution pension plans	(70,783)	(64,686)
	Social security expenses and financial services employer tax	(117,154)	(103,109)
	Staff cost transferred to software under development	189,026	197,942
	Total staff costs	**(799,979)**	**(704,561)**
	Number of full-time-equivalent staff (average) [1)]	**734**	**943**

[1)] In the second half of 2018 activity in India was moved from a branch to a subsidiary.

Remuneration to Board of Directors and the Board of Management and description of Share-based payments are disclosed in note 34 Remuneration of management and significant risk takers in the consolidated financial statements.

	2019	2018
Remuneration of significant risk takers		
Number of significant risk takers (full-time-equivalents)	11	11
Fixed remuneration	(33,492)	(42,417)
Variable remuneration [1)]	(6,075)	(4,537)
Total remuneration of significant risk takers	**(39,567)**	**(46,954)**

[1)] In 2019 a part of the variable remuneration for significant risk takers amounting to DKK 2 million relates to a retention bonus, which will be earned by participants during 2020 and start 2021.

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 have participated in the warrant programme described in note 34 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 Saxo Bank Group's website www.home.saxo/about-us/investor-relations. The disclosures are not covered by the statutory audit.

Note	(DKK 1,000)	2019	2018
9	**Tax**		
	Reconciliation of effective tax rate		
	Profit before tax	46,341	998,883
	Tax using the Danish tax rate 22%	(10,195)	(219,754)
	Effect of tax rates in foreign jurisdictions	169	(1,284)
	CFC taxation	(6,100)	(10,000)
	Non tax-deductible expenses	(41,734)	(9,608)
	Tax-exempt income disposal of shares, etc.	1,867	178,025
	Non exempted withholding tax and other taxes	(420)	(2,694)
	Tax on interest recognised directly in equity	7,972	7,182
	Effect of tax on income from subsidiaries	40,192	44,422
	Adjustments to tax previous years	1,285	2,320
	Total income tax recognised in income statement	**(6,964)**	**(11,391)**
	Effective tax rate	**15.0 %**	**1.1%**

2019	**Income statement**	**Other comprehensive income**	**Total**
Current tax	(5,791)	-	(5,791)
Changes in deferred tax for the year	(2,038)	12,670	10,632
Non exempted withholding tax and other taxes	(420)	-	(420)
Adjustments to tax previous years	1,285	-	1,285
Total	**(6,964)**	**12,670**	**5,706**

2018	**Income statement**	**Other comprehensive income**	**Total**
Current tax	(24,616)	2,570	(22,046)
Changes in deferred tax for the year	13,599	-	13,599
Non exempted withholding tax and other taxes	(2,694)	-	(2,694)
Adjustments to tax previous years	2,320	-	2,320
Total	**(11,391)**	**2,570**	**(8,821)**

Note (DKK 1,000)

9 Tax · continued

Tax recognised in Other comprehensive income

2019	Before tax	Tax	Net of tax
Exchange rate adjustments	81,346	-	81,346
Hedge of net investments in foreign entities	(57,590)	12,670	(44,920)
Other comprehensive income from subsidiaries, net of tax	1,079	-	1,079
Total	**24,835**	**12,670**	**37,505**

2018	Before tax	Tax	Net of tax
Exchange rate adjustments	41,867	-	41,867
Hedge of net investments in foreign entities	(15,087)	3,319	(11,768)
Items reclassified to income statement	233	(749)	(516)
Other comprehensive income from subsidiaries, net of tax	3,928	-	3,928
Total	**30,941**	**2,570**	**33,511**

Deferred tax assets and deferred tax liabilities	2019	2018
Deferred tax at 1 January, net	(29,357)	(42,891)
Change in deferred tax for the year	10,632	13,599
Adjustments to tax previous years	1,282	243
Exchange rate adjustments	38	(308)
Deferred tax at 31 December, net	**(17,405)**	**(29,357)**

	Deferred tax assets		Deferred tax liabilities		Total deferred tax	
	2019	2018	2019	2018	2019	2018
Intangible assets	-	-	(132,390)	(84,907)	(132,390)	(84,907)
Tangible assets	-	-	19,970	16,835	19,970	16,835
Tax losses carried forward	-	-	196,917	-	196,917	-
Deferred income	-	-	(246,501)	-	(246,501)	-
Provisions	21	791	144,578	37,924	144,599	38,715
Total	**21**	**791**	**(17,426)**	**(30,148)**	**(17,405)**	**(29,357)**

Note	(DKK 1,000)	2019	2018
10	**Receivables from credit institutions and central banks**		
	Demand deposits, credit institutions	5,416,481	1,018,901
	Total receivables from credit institutions and central banks	**5,416,481**	**1,018,901**
	Investment grade government bonds with a fair value of DKK 3,320 million (2018: 0 million) is received as collateral for receivables from credit institutions.		
11	**Loans and other receivables at amortised cost**		
	Demand deposits:		
	Trading clients	-	138
	Subsidiaries	87,356	119,680
	Total loans other receivables at amortised cost	**87,356**	**119,818**
	Loans, other receivables and guarantees by sector and industry		
	Finance and insurance	34%	53%
	Other business	66%	47%
	Total corporate sector	**100%**	**100%**
	Private clients	0%	0%
	Total loans, other receivables and guarantees by sector and industry	**100%**	**100%**

2019	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
Trading clients	1,148	(1,148)	-	-	-
Subsidiaries	268,847	-	268,847	-	268,847
Other	54,236	(19,970)	34,266	14,011	20,255
Total	**324,231**	**(21,118)**	**303,113**	**14,011**	**289,102**

2018	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
Trading clients	1,972	(1,834)	138	-	138
Subsidiaries	343,018	(19,970)	323,048	-	323,048
Other	31,820	-	31,820	17,607	14,213
Total	**376,810**	**(21,804)**	**355,006**	**17,607**	**337,399**

Note (DKK 1,000)

12 **Impairment allowance financial assets at amortised cost and guarantees**

2019	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Impairment allowance 1 January 2019	2,264	-	21,804	24,068
Impairment for the year	5,172	-	-	5,172
Reversal of impairment from previous years	(1,060)	-	(686)	(1,746)
Impairment allowance 31 December 2019	**6,376**	**-**	**21,118**	**27,494**

2018	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Impairment allowance 1 January 2018	-	-	15,016	15,016
Restatement of prior year due to change in accounting policy	2,288	-	-	2,288
Impairment for the year	-	-	16,934	16,934
Reversal of impairment from previous years	(24)	-	(894)	(918)
Amounts written down	-	-	(4,207)	(4,207)
Other	-	-	(5,045)	(5,045)
Impairment allowance 31 December 2018	**2,264**	**-**	**21,804**	**24,068**

13

	2019	**2018**
Bonds at fair value		
Quoted on NASDAQ OMX Nordic	13,798,197	13,634,854
Quoted on other stock exchanges	5,978,426	7,003,970
Accrued interests	97,320	122,211
Total bonds at fair value	**19,873,943**	**20,761,035**

Note (DKK 1,000)

14 **Intangible assets**

2019	Goodwill	Software under development	Software developed	Software purchased	Other	Total
Cost at 1 January	1,001,454	132,271	2,596,486	83,550	4,347	3,818,108
Additions	-	593,279	-	14,673	-	607,952
Transfers from internal development	-	(591,006)	559,116	-	-	(31,890)
Disposals	-	-	(465,921)	(4,798)	-	(470,719)
Exchange rate adjustments	21,287	-	-	-	-	21,287
Cost at 31 December	**1,022,741**	**134,544**	**2,689,681**	**93,425**	**4,347**	**3,944,738**
Amortisation and impairment at 1 January	(86,473)	-	(1,858,572)	(78,648)	(4,347)	(2,028,040)
Amortisation	-	-	(277,373)	(3,609)	-	(280,982)
Impairment losses	(100,000)	-	(89,810)	(1,029)	-	(190,839)
Disposals	-	-	278,456	3,591	-	282,047
Exchange rate adjustments	-	-	-	-	-	-
Amortisation and impairment at 31 December	**(186,473)**	**-**	**(1,947,299)**	**(79,695)**	**(4,347)**	**(2,217,814)**
Carrying amount at 31 December	**836,268**	**134,544**	**742,382**	**13,730**	**-**	**1,726,924**

For information on impairment losses, see note 16 Impairment test in the consolidated financial statements.

2018	Goodwill	Software under development	Software developed	Software purchased	Other	Total
Cost at 1 January	989,184	51,616	2,283,584	80,757	4,347	3,409,488
Additions	690	430,381	-	2,942	-	434,013
Transfers from internal development	-	(349,726)	349,726	-	-	-
Disposals	(11,162)	-	(36,824)	(143)	-	(48,129)
Exchange rate adjustments	22,742	-	-	(6)	-	22,736
Cost at 31 December	**1,001,454**	**132,271**	**2,596,486**	**83,550**	**4,347**	**3,818,108**
Amortisation and impairment at 1 January	(86,473)	-	(1,633,238)	(76,454)	(4,347)	(1,800,512)
Amortisation	-	-	(260,875)	(2,342)	-	(263,217)
Impairment losses	-	-	(1,282)	-	-	(1,282)
Disposals	-	-	36,823	143	-	36,966
Exchange rate adjustments	-	-	-	5	-	5
Amortisation and impairment at 31 December	**(86,473)**	**-**	**(1,858,572)**	**(78,648)**	**(4,347)**	**(2,028,040)**
Carrying amount at 31 December	**914,981**	**132,271**	**737,914**	**4,902**	**-**	**1,790,068**

Note	(DKK 1,000)	2019	2018
15	**Other assets**		
	Derivative financial instruments with positive fair value	4,155,177	4,621,766
	Interest swaps (fair value hedge)	8,145	-
	Prepayments	35,637	34,820
	Rent deposits	7,703	7,702
	Receivables related to joint venture (Loan note)	280,115	-
	Other receivables	63,582	266,117
	Total other assets	**4,550,359**	**4,930,405**
16	**Debt to credit institutions and central banks**		
	Debt on demand	4,236,231	5,315,220
	Total debt to credit institutions and central banks	**4,236,231**	**5,315,220**
	Debt on demand include DKK 22 million (2018: DKK 11 million) placed as collateral for unrealised client trading positions.		
17	**Deposits**		
	Deposits on demand	22,960,973	18,588,093
	Pension funds	977	-
	Total deposits	**22,961,950**	**18,588,093**
	Deposits on demand include DKK 2,400 million (2018: DKK 2,402 million) placed as collateral for unrealised client trading positions.		
18	**Other liabilities**		
	Derivative financial instruments with negative fair value	1,861,502	1,724,743
	Suppliers and other outstanding costs	227,496	152,422
	Staff commitments	201,502	170,266
	Other obligations including intercompany	451,665	32,850
	Total other liabilities	**2,742,165**	**2,080,281**

19 Subordinated debt

Detailed information on subordinated debt is disclosed in note 22 Subordinated debt in the consolidated financial statements.

20 Equity

In August 2019 6,923,506 ordinary shares were issued with a total proceed net of transactions costs of DKK 1,003 million. Share capital increased with DKK 6.9 million and a share premium of DKK 996 million has been recognised in reserve for share premium within Equity.

As at 31 December 2019, the share capital consisted of 75,207,449 (2018: 68,283,943) shares with a nominal value of DKK 1.

In November 2019, Saxo Bank A/S issued for EUR 60 million (DKK 448 million) Perpetual Fixed Rate Resettable Additional Tier 1 Capital notes.

Detailed information on Share capital, holding of own shares and Additional tier 1 capital is disclosed in note 23 Equity in the consolidated financial statements.

21 Hedge accounting

Saxo Bank A/S hedges the exhange rate exposure arising from net investments in foreign entities and the interest rate risk on tier 2 capital issued in 2019. The details are disclosed in the in note 30 Hedge accounting in the consolidated financial statements.

Note (DKK 1,000)

22 Related parties

Geely Financials Denmark A/S is the parent company of Saxo Bank A/S and has by ownership of more than 50% of the share capital obtained controlling influence in Saxo Bank A/S from 14 September 2018. Geely Group Limited is the ultimate parent of the Saxo Bank Group.

Geely Financials Denmark A/S prepares consolidated financial statements. The consolidated financial statements are available when published at:

Saxo Bank A/S
Philip Heymans Allé 15
DK-2900 Hellerup

No consolidated financial statements are prepared above Geely Financials Denmark A/S.

At 31 December 2019, the following shareholders are registered as holders of more than 5% of the share capital of Saxo Bank A/S:

Geely Financials Denmark A/S	1609 Copenhagen, Denmark
Fournais Holding A/S	2850 Nærum, Denmark
Sampo Plc.	00100 Helsinki, Finland

	Board of Directors		Board of Management		Parties with controlling influence		Subsidiaries		Joint ventures	
(DKK million)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
						-			-	-
Loan note	-	-	-		-	-			560.2	-
Convertible loan note	-	-	-		-	-			893.9	-
Loans and other receivables at amortised cost	-	-	-	-	-	-	87.4	119.7	-	-
Receivables from credit institutions	-	-	-	-	-	-	1,578.1	-	-	-
Deposits (liabilities)	0.0	-	0.0	0.4	-	-	669.5	1,102.1	-	-
Debt to credit institutions	-	-	-	-	-	-	1,654.4	1,039.4	-	-
Trading assets	-	-	-	-	-	-	208.8	558.9	-	-
Other assets	-	-	-	-	-	-	32.6	31.9	-	-
Other liabilities	-	-	-	-	-	-	452.0	35.7	-	-
Interest income	-	-	-	-	-	-	130.7	158.4	-	-
Interest expense	-	-	-	-	-	-	(33.2)	(23.3)	-	-
Fee and commission income	0.0	-	0.1	0.1	-	-	4.9	7.8	-	-
Fee and commission expense	-	-	-	-	-	-	(620.1)	(800.2)	-	-
Other services (income)	-	-	-	-	0.1	-	26.7	31.0	-	-
Other services (expense)	-	-	(1.1)	(1.2)	-	-	(22.6)	(7.9)	-	-
Client support services	-	-	-	-	-	-	(26.8)	(39.9)	-	-
Disposal of intellectual property rights	-	-	-		-	-	-	-	2,241.6	-
Leases	-	-	-	-	-	-	(43.2)	(42.3)	-	-
Subleases	-	-	-	-	-	-	0.5	1.6	-	-
Software development	-	-	-	-	-	-	(211.5)	(65.4)	-	-
Dividend from subsidiaries	-	-	-	-	-	-	40.9	32.5	-	-
Capital increases	-	-	-	-	-	-	-	13.3	-	-

Remuneration to Board of Directors and Board of Management is disclosed in note 34 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.

Information on subsidiaries and joint ventures is disclosed in note 14 Investment in joint ventures and 35 Group entities in the consolidated financial statements.

Note (DKK 1,000)

23 Activities by country

		2019			
Country	**Activity**	**Income**[1]	**Profit before tax**	**Tax on profit**	**Full-time-equivalent staff**
Australia	Trading and investment	70,890	16,364	(4,527)	13
Belgium	Sales and marketing	32,105	1,657	(545)	33
Brazil	Trading and investment	7,503	815	(568)	2
China	Sales and marketing, IT development	59,753	2,568	(494)	48
Czech Republic	Sales and marketing	55,837	5,023	(1,513)	46
Denmark	Other activities[2]	88,464	26,590	(7,585)	-
France	Trading and investment, sales and marketing	93,787	2,166	(485)	47
Hong Kong	Trading and investment	38,956	(5,454)	3,141	16
India	IT-development	221,834	34,874	(10,350)	626
Italy	Trading and investment, sales and marketing	26,724	(8,220)	1,806	48
Japan	Trading and investment	32,737	(11,822)	3,447	17
Singapore	Trading and investment	280,369	79,955	(13,105)	85
Spain	Sales and marketing	71	279	(103)	5
Switzerland	Trading and investment, IT development	219,223	7,839	(2,297)	39
The Netherlands	Trading and investment, IT development	525,049	61,754	(23,712)	404
United Arab Emirates	Trading and investment	33,936	(45)	-	15
United Kingdom	Trading and investment, sales and marketing	251,639	49,788	(10,147)	67

[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, sales and marketing and IT support.

The table disclose information by country, in which Saxo Bank A/S operates through a subsidiary or a branch.

Note 35 in the consolidated financial statements provides information on the company names and financial information for the Saxo Bank Group's significant subsidiaries.

Note	(DKK 1,000)	2019	2018
24	**Contingent and other contractual commitments**		
	Guarantees		
	Financial guarantees	174,214	215,398
	Guarantees issued to subsidiaries	27,533	17,607
	Other guarantees	14,011	2,183
	Total guarantees, net of allowance	**215,758**	**235,188**
	Loan commitments etc.		
	Other unutilised credit facilitites	-	50,000
	Total loan commitments etc.	**-**	**50,000**
	Other contractual commitments		
	Rent commitments towards subsidiaries	349,743	390,729
	Other contractual commitments[1)]	155,914	204,962
	Total other contractual commitments	**505,657**	**595,691**

[1)] Operating lease obligations DKK 9 million disclosed as Other contractual commitments 31 December 2018 are from 1 January 2019 recognised in the statement of financial position. At 31 December 2019 the intercompany lease of office premises and short term leases DKK 350 million are disclosed as Other contractual commitments. Comparative figures are not restated, see note 1.

Due to the business volume of Saxo Bank A/S, disputes with clients etc. occur from time to time. Saxo Bank A/S does not consider the outcome of the cases pending to have any material effect on the Saxo Bank A/S´ financial position.

Until 14 September 2018 Saxo Bank A/S was the administration company for the Danish joint taxation consisting of Saxo Bank A/S and its Danish subsidiaries.

Due to Geely Financials Denmark A/S' controlling influence in Saxo Bank A/S, Saxo Bank A/S and its Danish subsidiaries entered from 14 September 2018 a Danish joint taxation with Geely Financials Denmark A/S as the administration company. Saxo Bank A/S and its Danish subsidiaries are jointly and severally liable for Danish corporate taxes and for any obligations to withhold taxes on interests, royalties and dividends for the entities in the joint taxation.

25 **Assets deposited as collateral**

Financial assets deposited as collateral	2019	2018
Bonds at fair value	2,346,746	2,951,602
Receivables from credit institutions and central banks	210,748	225,000

Saxo Bank A/S has bonds held in custody with credit institutions and receivables from credit institutions and central banks serving as collateral. The assets serve as collateral for Saxo Bank A/S' ongoing financial business with the individual credit institution. The actual demand for collateral varies from day to day in line with the fair value of the Saxo Bank A/S' open positions against these credit institutions.

Note

26 Risk Management

Risk exposure

Saxo Bank A/S is 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 Bank does not have sufficient liquidity to fulfil its payment obligations as and when they fall due. Also, the risk that the Banks cost of funds rise to disproportionate levels or in worst case prevents the Bank from continuing as a going concern under its currents business model. Finally, the risk that the Bank 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 risk exposures, policies and procedures to monitor the risks for Saxo Bank A/S are the same as for Saxo Bank Group and are described in the Risk Management note in the consolidated financial statements. In addition, Saxo Bank A/S has credit exposure against its subsidiaries due to granted trading and credit lines. The unutilised lines as per 31 December 2019 can be terminated on demand.

Market and credit risk related to derivative financial instruments is disclosed in the Risk Management note and in note 28 Offsetting financial assets and liabilities in the consolidated financial statements. Derivative financial instruments with positive value DKK 4,155 million (2018: DKK 4,621 million) are included in Other assets and Derivative financial instruments with negative value DKK 1,861 million (2018: DKK 1,725 million) are included in Other liabilities.

The Management's Report and unaudited Risk Report 2019 provide additional information about Saxo Bank A/S' risk management approach. Risk Report 2019 is available for download from the Saxo Bank Group's website at www.home.saxo/about-us/icaap-and-risk-reports.

Note	(DKK million)	2019	2018	2017	2016	2015[3]
27	**Key figures and ratios**					
	Highlights					
	Income statement					
	Net interest, fees and commissions	809	939	799	438	235
	Price and exchange rate adjustments	617	784	1,072	1,395	1,030
	Staff costs and administrative expenses	(1,699)	(1,454)	(1,370)	(1,296)	(1,527)
	Impairment charges loans and receivables etc.	(4)	(12)	8	(25)	(1)
	Income from subsidiaries and joint ventures	183	202	281	171	(47)
	Net profit	39	987	427	328	(623)
	Statement of financial position					
	Loans and other receivables at amortised cost	87	120	74	102	39
	Deposits	22,962	18,588	18,886	20,206	16,256
	Subordinated debt	1,140	370	351	529	674
	Total equity	7,022	5,553	4,584	4,197	3,896
	Total assets	38,334	32,121	32,185	37,372	27,965
	Key figures and ratios					
	Total capital ratio	40.5%	35.5%	27.9%	24.6%	26.7%
	Tier 1 capital ratio	33.2%	32.4%	25.0%	21.6%	22.4%
	Return on equity before tax	0.7%	19.7%	11.5%	9.8%	-19.1%
	Return on equity after tax	0.6%	19.5%	9.7%	8.1%	-15.4%
	Income/cost ratio	102.1%	156.7%	129.8%	123.9%	62.3%
	Interest rate risk	1.6%	2.8%	4.2%	4.8%	3.0%
	Foreign exchange rate risk/Tier 1 capital	2.5%	3.2%	12.8%	16.5%	9.6%
	Value at risk of foreign exchange rate risk/Tier 1 capital	0.0%	0.1%	0.1%	0.1%	0.2%
	Loans and other receivables plus impairment allowance/Deposits	0.5%	0.8%	0.5%	0.6%	0.3%
	Loans and other receivables proportional to Total equity	0.01	0.02	0.02	0.02	0.01
	Growth in loans and advances	-27.1%	62.4%	-27.9%	165.2%	-48.9%
	Excess liquidity coverage/liquidity requirement[1]	-	-	405.8%	415.2%	354.3%
	Liquidity coverage ratio[1]	234.3%	195.9%	182.1%	146.7%	-
	Sum of large exposures/CET1 capital[2]	23.1%	7.4%	-	-	-
	Loss and provisions ratio	1.1%	3.1%	-2.5%	8.2%	0.3%
	Return on assets	0.1%	3.1%	1.3%	0.9%	-2.2%

[1] From 2018 section 152 on liquidity in the Danish Financial Business act has been replaced by the Liquidity Coverage Ratio.
[2] Change in computation of large exposures applied from 2018. Comparative figures are not restated.
[3] Key figures and ratios are impacted by the Swiss event.

See page 106 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 2019 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 2019 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 2019.

Moreover, in our opinion, the Management Report include a fair review of developments in the Group's and the Parent Company's operations and financial position (page 4-35) and describe the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The 2019 Annual Report is submitted for the approval of the Annual General Meeting.

Copenhagen, 1 April 2020

BOARD OF MANAGEMENT

Kim Fournais
Founder and CEO

Søren Kyhl
Deputy CEO and Chief Operating Officer

Steen Blaafalk
Chief Financial and Risk Officer

BOARD OF DIRECTORS

Daniel Donghui Li
Chairman

Henrik Normann

Yi Ian Zhang

John Patrick Sture Lapveteläinen

Preben Damgaard Nielsen

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SAXO BANK A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of Saxo Bank A/S for the financial year 1 January 2019 to 31 December 2019, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of total capital and notes, including the accounting policies, for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies, and the parent 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 Group's financial position at 31 December 2019 and of its financial performance and cash flows for the financial year 1 January 2019 to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31 December 2019 and of its financial performance for the financial year 1 January 2019 to 31 December 2019 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued 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 financial statements* section of this auditor's report. We are independent of the Group in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Saxo Bank A/S for the first time on May 10, 2019 for the financial year 2019.

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 financial statements for the financial year 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit

Valuation of assets and liabilities in Purchase Price Allocation ("PPA")

On 7 August 2019 Saxo Bank A/S acquired 98.01% of the shares in BinckBank N.V., which was listed at Euronext Amsterdam up until 26 September 2019.

At 31 December 2019, the Group has recognised goodwill related to the purchase of DKK 438 million based on an allocation of the purchase price to identifiable assets and liabilities.

Purchase Price Allocation for BinckBank is deemed a key audit mater as it is highly judgemental in:

- Valuation of customer relationships and brand name based on assumptions and forecasts on future earnings.
- Valuation of loans and receivables.

Changes in the models and assumptions may have a significant impact in the measurement of goodwill.

Management has provided further information about the purchase price allocation in note 24 to the consolidated financial statements.

Based on our risk assessment, we have audited the purchase price allocation prepared by Management and evaluated the methodology applied and the assumptions made.

Our audit included the following elements:

- Obtained memo prepared by third party advisors on the purchase price allocation and supporting documentation.
- Inquired responsible employees about the judgements made and the process, including appropriateness of revaluation process.
- Reviewed and assessed Management's assumptions for valuation of intangible assets separated from goodwill.
- Tested the mathematical accuracy of the calculations in the models.
- Consulted with subject matter experts regarding the valuation methodology and the assumptions applied.
- Attended relevant meetings with the Bank including those conducted with the Group's third party advisors.

Key Audit Matters	How the matter was addressed in our audit
IT and business procedures underlying revenue recognition	
The groups business model is highly automated through a self developed IT Trading Platform. Due to the Banks high volume most transactions are executed, controlled and registered automatically on a daily basis. Given the high volume of the trades, we determined this to be a significant item for our audit. Furthermore, due to the vast majority of automatic processing of revenue transactions, we found it relevant to identify, analyse and test manual transactions as they represent deviations from norm.	Our examination included the following elements • Gaining an understanding of the material IT and business processes on revenue recognition. • Testing of relevant general IT controls supporting applications and databases relevant to revenue recognition including. - *Physical security in data centers* - *Logical access management* - *Change management* - *Incident management* • Testing of relevant business process internal controls relevant to revenue recognition including. - *Customers' cash account management* - *Customers' reconciliations of trading items* - *Forex pricing* - *Trade execution* - *Commissions processing* - *Interest processing* - *Error corrections* • Identifying, analysing and testing on a sample basis the manual transactions.

Statement on the Management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Business Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 these consolidated financial statements and these parent financial statements.

As part of an audit 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 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'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 the preparation of the consolidated financial statements and the parent 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 to cease to continue as a going concern.

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

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

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

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

Copenhagen, 1 April 2020
Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Anders Oldau Gjelstrup
State-Authorised Public Accountant
MNE no. 10777

Jens Ringbæk
State Authorised Public Accountant
MNE no. 27735

COMPANY INFORMATION

BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

Saxo Bank A/S' Board of Directors currently consists of five members elected by the general meeting. The members of the Board of Directors are elected or appointed for a one year term. Reelection and reappointment 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 hers or his position as member of the Board in Saxo Bank A/S. More over, 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 – Founder and CEO

Fournais Holding A/S (CEO & BM)
Fournais Aviation ApS (CEO)
Vejrø ApS (CM)

Steen Blaafalk – Chief Financial and Risk Officer

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

Søren Kyhl – Deputy CEO and Chief Operating Officer

No additional Management positions or Directorships

BOARD OF DIRECTORS

Daniel Donghui Li – Chairman

Geely Automotive Holdings Limited (BM)
Geely Financials Denmark A/S (CM)
Geely Holding Group (CFO & BM)
Genius Auto Finance Co. Limited (CM)
Group Lotus PLC (CM)
Volvo Car Corporation (BM)
Zhejiang Wisdom Financials Leasing Co., Ltd. (CM)

Henrik Normann – Member of Board

Investeringsforeningen Maj Invest (CM)
Nordic Investment Bank (President & CEO)
Nordsøenheden (CM)
Saga Private Equity ApS (CM)
Syfoglomad Limited (CM)

Yi Ian Zhang – Member of Board

Geely Financials Denmark A/S (CEO & BM)
Geely Financial International Limited (BM)
Geely International (Hong Kong) Limited (BM)
Hangzou UGO Tech Co., Ltd (BM)

John Patrick Sture Lapveteläinen – Member of Board

Asiakastieto Group Plc (CM)
If P&C Insurance Holding Ltd (BM)
If P&C Insurance Ltd. (BM)
Mandatum Life Insurance Company Limited (BM)
Sampo plc (GCIO)

Preben Damgaard Nielsen – Member of Board

7N A/S (CM)
AO Invest A/S (BM)
Brødrene A. & O. Johansen A/S (BM)
Configit A/S (BM)
Configit Holding A/S (BM)
Damgaard Family Invest ApS (CEO)
DGH I ApS (CEO)
Dixa ApS (BM)
Galleri Bo Bjerggaard International ApS (CEO)
Katrine Damgaard Invest ApS (CEO)
Markus Damgaard Invest ApS (CEO)
Olivia Damgaard Invest ApS (CEO)
OrderYOYO ApS (BM)
PD International Invest ApS (CEO)
Proactive A/S (CM)
Proactive Holding 2008 A/S (CM)
Scalepoint Technologies Denmark A/S (BM)
Scalepoint Technologies Holding A/S (BM)
Skolebordet.dk ApS (BM)
Templafy ApS (CM)
Too Good To Go ApS (CM)
Too Good To Go Holding ApS (CM)

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