



Annual Report
2020

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Letter from the Chairman and the CEO

2020 has been extraordinary in many ways. COVID-19 has impacted the global community and all the markets we operate in. The human and economic consequences have been immense. **As many other organisations, we had to quickly adapt to new ways of working, effectively going from 17 offices to more than 2,000 virtual offices, as Saxonians worked from home - all the while welcoming a record number of new clients and keeping the bank fully operational.**

The financial result for 2020 was very satisfactory with a total operating income of DKK 4,316 million and net profit of DKK 750 million. The industry broadly experienced many new clients, higher trading volumes than previous years, lower interest rates resulting in lower treasury portfolio income and increased pricing pressure. Our performance

was similarly driven by a combination of external factors such as the increased volatility in the capital markets and a change in client behaviour, as well as internal factors such as the continued execution on our strategy, which includes considerable investments over several years in digitisation, scalable infrastructure, processes, the integration of Binck-

Bank and an improved client experience. The execution of our strategy has in particular increased Saxo Bank's relevance to the direct investor business, a business that has grown by more than 280% in trading related revenue in 2020 and continued to diversify Saxo Bank's revenue streams. In 2020, the direct investor trading related revenues accounted for 32% versus 7% in 2018. As we look back on 2020, we are both humbled and proud that we were able to reach new heights for Saxo Bank, such as achieving all-time high amount of client assets of DKK 478 billion and a record number of new trading clients of more than 238,000. Our total client base has grown more than 230% since 2018 with a strong acceleration of organic growth in 2020, and in spite of industry wide pricing pressure and lower revenue per client, we have seen a strong growth in revenue generated



- > from new clients. Our results indicate that our strategy is working. The results are founded on the strategic decisions made over several years, and executed diligently to drive growth and scale through our direct channels and M&A.

While the year has been extraordinary and more challenging than anyone could have imagined, we have maintained momentum. We have been driving key strategic initiatives such as setting up our technology joint venture in mainland China, Saxo Fintech, with the Geely Group while at the same time continuing to invest in developing our Greater China strategy. We continued to channel huge efforts into integrating BinckBank N.V. into the Saxo Bank Group, and integration of BinckBank will continue to lead to significantly increased scale and reduced cost and complexity while improving the SaxoExperience through offering new products and services.

Another important global trend we have also seen is the acceleration of more people taking greater ownership of their investments. The growth of the investment industry

comes with greater responsibility for investment providers to support their clients - not only by giving access to financial markets, but also timely, relevant information, education as well as better tools to help clients make informed investment decisions and manage their risk.

Today, online trading and investing and digital wealth management may have experienced a positive development, but the work is not at all done yet. Saxo Bank has a tremendous opportunity to further improve our relevance and help our clients fulfil their financial aspirations and make an impact. While we have always been purpose-driven, we are now relevant for more people than ever before. By having a constant focus on being client-centric, we continue to improve the SaxoExperience for present and future clients.

To turn our vision into reality, the updated Strategy and Execution Plan for 2021 to 2023 sets out our ambitions and a roadmap, where we will focus on delivering a world class client experience, enabling clients to act in a timely and relevant manner, with sound money making logic that enables

a win-win relationship with our clients and partners. A key focus is to optimise our ways of working, while continuing to run the bank and develop the bank. We have an ambitious yet robust roadmap of concrete initiatives ahead of us, and are optimistic about hitting the targets we have set for the new year to succeed in 2021 and beyond.

Saxo Bank always aspire to keep every trade and investment as transparent, seamless and cost-efficient as possible. Everywhere, all the time. Our staff relentlessly work to bring our strategy to life every day in our local offices around the world, and we sincerely thank everyone of them for their dedication and hard work as true Saxonians.

While this has been, and continues to be, challenging times, rapidly changing client behaviour is a great opportunity that Saxo Bank is well-placed to leverage. Saxo Bank continues to be focused on executing on our key strategic priorities to the benefit of all stakeholders, including clients and partners, our talented staff and shareholders.

Copenhagen, 23 February 2021



Daniel Donghui Li

Chairman of the Board of Saxo Bank A/S



Kim Fournais

CEO & Founder of Saxo Bank A/S

Saxo Bank Group at a Glance

More than
110
industry awards for
our trading platforms

Clients spanning over
180
countries.
We power more than
120
White Label Partners
and over
300
financial
intermediaries

67.1 million trades executed in 2020. More than **40,000** tradable instruments

The Saxo Bank Group is a leading fintech specialist that connects people to investment opportunities in global capital markets. The Group's vision is to enable people to fulfil their financial aspirations to make an impact. Whether it is through their investments or the outcome of their investments, Saxo Bank provides clients and partners the platforms, tools and knowledge to make an impact.

Founded in Copenhagen in 1992, Saxo Bank was one of the first financial institutions to develop online trading platforms that offer traders and investors the same tools and market access as professional traders, large institutions and fund managers.

Saxo Bank holds banking licenses in Denmark, Netherlands, France and Switzerland, and financial licenses in 6 other

jurisdictions. With more than 40,000 instruments and over 28 languages available from one single account across multiple platforms, Saxo Bank is a truly global company with local presence, employing more than 2,200 people spanning over 65 nationalities and represented in financial centres around the world including London, Amsterdam, Singapore, Shanghai, Hong Kong, Sydney, Tokyo, Paris,

2,224 employees with **65** nationalities across offices in **16** countries. More than **660,000** clients



- > Zurich, Milan (BG Saxo SIM), Dubai, and Delhi. Through local sales and service teams and a global online presence, Saxo Bank serves clients and partners in more than 180 countries.

All instruments and products are traded either directly via our platforms, SaxoInvestor, SaxoTraderGO and SaxoTraderPRO, or through our partner oriented Open and FIX API integration.

The platforms offer a seamless and user-friendly trading and investing experience across desktop, mobile and tablet:

- // **SaxoInvestor** intuitive and user-friendly platform tailored to the Investors that makes it easy to build a diversified portfolio across global equities, bonds, ETFs, mutual funds and managed portfolios.
- // **SaxoTraderGO** our more advanced platform, which on top of the intuitiveness and user-friendliness, allows access to margin products and more advanced trading tools. The SaxoTraderGO platform have over the years received more than 110 industry awards.

- // **SaxoTraderPRO** is targeted to professional traders and offers great opportunities for intuitive, customised user-interface setup, as well as full access to one of the world's largest trading universe and risk management features.
- // **Open API** offers our partners to outsource part of or the entire value chain to Saxo Bank, and offer their clients bespoke, fully integrated user experiences leveraging Saxo Bank's technology stack
- // **FIX API** allows our partners to receive tailored multi-asset liquidity via a single API.

Key events of the year 2020



January	February	March	April	May	June	July	August	September	October	November	December
FX product enhancements, FX swaps	Saxo Bank Rewards launches in Singapore	Rolls out digital onboarding for BinckBank clients	Launches Malaysian equities for all clients and chatbots in certain markets	Launches Regular Savings Plan in Singapore	Announces partnership with five regional banks under SDC in Denmark	Shanghai office granted regional headquarter (RHQ) status by Shanghai government	Instant client feedback in onboarding flow	Luxembourg Stock Exchange becomes available to clients	Launches eIPO in Greater China	Introduces new Vision and Mission and uplifted Corporate Visual Identity	Introduces updated Strategy and Execution plan for 2021-2023
			Fintech JV set up in Chongqing in China	Launch of US listed options in Japan	Launch of our Dynamic Test Environment	Launches ASX listed options in Australia				Launches enhanced version of SaxoInvestor	Acquisition of Strateo's Swiss client base
										Migration of BinckBank clients in France to Saxo Platform	Grand opening of Fintech JV

- Customer Experience
- Greater China
- Foundation & Strategy
- Binck integration

Business Review

2020 was a terrifying, amazing and game changing year. Charles Dickens wrote:

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair”.

This is not a new emotional way to react for human beings but facts and realities were truly unique in 2020.

For the Saxo Bank Group as well as for the world - politics, technology, economy, monetary policy, debt building, the global business landscape, pandemics, populism, social unrest, big data, AI, diversity, inequality, new businesses thriving, old businesses dying, new service and distribution models, public health, our climate, sustainable societies, medicine, science, media - not least social media, tribalism, fake news, alternative facts and whether a truth exists - have all been topics in “an information overload 2020”.

Sometimes both the interpretation and the reactions to information become emotional and there is indeed a massive lack of proportionality; too few open and honest discussions with positive intent. All are issues that have affected our behaviours, beliefs and habits.

Together we are shaping the world we all live in. Saxo Bank wants to be part of the solutions that can help bring a better life to all of us, based on the virtues of win – win and common sense, which is often not that common. While the finance industry broadly has seen reductions in staff and new investments, Saxo Bank has continued to invest in people, processes and technology as we believe in building a better future.

For Saxo Bank and our Saxonians, being a FinTech before the term was even coined, it has been a very challenging, yet a very interesting and positive year. Essentially, it has been a transformative year. Our technology, people and processes have been developing fast and we aim to continue our trajectory of being professional and prudent in order to service our clients in the best possible way.

Our vision is to enable people to fulfill their financial aspirations and make an impact.

Many people believe that money is inherently evil and that the financial system is intransparent and manipulated. While there unfortunately are bad examples, both money and our financial system – operating in the way it is supposed to, are very integrated components required to achieve happiness. That’s a fact.

Saxo Bank always strives to be part of the solution and not the problem. We want to deliver the solutions of the future as we constantly improve how we better service and assist our clients and partners even more efficiently in achieving, their goals and aspirations.

We drive our business forward by always pursuing win – win to the maximum extent. Only by achieving win – win can we be of value to others and thereby of value to ourselves, and the ecosystems we are all part of.

We cannot change the financial sector in our own right, let alone the perception of it. And we cannot erase evil. But we can and do facilitate impact. And we can leverage the increasing possibilities of technology to show how the value of money depends on how they are earned, spent and invested. And if earned, spend and invested without win-win then that’s an impact we do not wish to facilitate. Whether with clients, partners, employees, shareholders or other stakeholders, we only win when they win. That is the only rational approach for us.

Our business is facilitating superior access to global capital markets, completely focused on our three main client areas: Traders, Investors and Saxo Advanced Solutions (wholesale, SAS in short).

We need to have a best in class SaxoExperience for the clients we serve. Our business model is open and we service all of our clients and partners via our platforms and API’s.

The Saxo Bank Group is a well-diversified business in many ways:

- // Across Traders, Investors and SAS (wholesale)
- // Across geographies
- // Across asset classes
- // Across platforms
- // Across client value businesses

We leverage one global technology stack with a common set of business processes being cloud enabled in microservices. This allows for agility, scalability and flexibility and Saxo Bank needs scale to win, and create win – win.

To create scale we have a strong and growing business servicing investors and traders. This is our B2C business – our direct business. Our SAS (wholesale) business is servicing the same type of end-clients (investors and traders) just on

- > a B2B2C or B2B2B basis. In other words we have an open architecture that services all asset classes, in all our geographies, for a very broad range of clients and partners with different needs and behaviours that we meet through our platforms, API's and many great Saxonians working in client facing roles.

We need scale and growth which we achieve by getting "more happy and active clients cheaper, while we reduce cost and complexity".

The Saxo Bank Group comes from a trader oriented, difficult to scale, but historically profitable business. We have over the years utilized our unique technology capabilities and expertise in financial markets to build unprecedented and unique value propositions, now also offered directly to investor clients, leveraging all the synergies. This of course benefits our partners too. We see mainly two types of investors: self-directed (do it yourself) and delegating Investors (what should I do with my money?), and the same applies to our partners' end clients.

The investor business has for many years experienced healthy growth rates. In 2020 it accelerated further with investor trading related revenues growing more than 280% for the Group. Our investor business was strengthened with the acquisition of BinckBank in August 2019, not to mention the new products and platforms we have launched and will be launching as part of the integration. All the development benefits not only the former BinckBank clients but also the Saxo Bank clients as the enhancements are rolled out globally.

Since closing the BinckBank acquisition we have shown high, stable organic growth. We have seen significant growth in clients, client assets and revenues as well our scale

and profitability. Going forward we need to be even more relevant in local markets with our investor platform as well as the many other new features and improvements in the pipeline. The investor platform is scheduled to be rolled out in Hong Kong, Belgium, the Netherlands, and Italy in 2021 with the rest of the world following.

Saxo Bank's commercial model ensures that all commercial activities are anchored with and executed by the right people centrally and locally in our offices. Our commercial owners are each responsible for the entire trader, investor and wholesale client experience, to facilitate we always offer the best possible value proposition to our clients based on sound money making logic.

In conclusion, the Saxo Bank Group is a highly international and diverse organisation with more than 65 nationalities employed. Europe is our home market however, we see rapid growth in particular Asia and expect that growth to accelerate.

Performance of the Saxo Bank Group

Saxo Bank Group reported a net profit of DKK 750 million for 2020 compared to DKK 40 million for 2019. Operating income for Saxo Bank Group amounted to DKK 4,316 million in 2020 compared to DKK 2,611 million in 2019, corresponding to an increase of 65%, and EBITDA increased to DKK 1,612 million up from DKK 822 million.

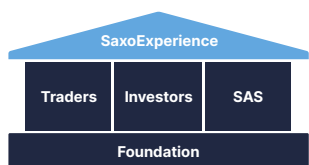
The net profit for Saxo Bank Group when eliminating one-offs, equivalent to the Group's normalised net profit, was above DKK 1 billion for 2020. The cost/income ratio (profit before tax, adjusted for one-offs) for the Saxo Bank Group decreased to 68.9% from 89.1% in 2019. The Board of Directors and the Board of Management find the result very satisfactory and in line with our latest expectations.

The growth of our client base and revenues have positively impacted our operating metrics. While the integration of BinckBank has positively impacted the operating metrics in 2020, the full synergies will only be realised in 2021 and early 2022. Lower interest rates meant a reduction in net interest income on client deposits as well as lower treasury income. Saxo Bank Group's treasury portfolio is invested conservatively in short term government bonds or investment grade mortgage backed securities.

Saxo Bank Group continues to deliver on the strategy execution plan by continuing the record high investments in technology, digitisation and delivering the best possible SaxoExperience, by capex of DKK 561 million in 2020 representing a continued year-on-year investment from DKK 566 million in 2019 and DKK 438 million in 2018.

Strategy Execution Review

The Saxo Bank Strategy House expresses our strategy and focus, as described in the Strategic Direction section. Based on the Foundation, we service Traders, Investors and SAS (Wholesale), all tied together by the SaxoExperience. In the Saxo Bank Group, we are organised in a global functional organisation. However, when executing on our strategy, we operate in a seamless, cross functional organisation. All products and services, from lead generation, to onboarding, to activation and content sharing, to trading and reporting, all have many touch points across the organisation both from a development and operational point of view. The performance of the Saxo Bank Group as laid out above, is all a result of the efficiency in our strategy execution illustrated by the Strategy House.



SaxoExperience

The SaxoExperience is a personalised experience spanning all the clients' touchpoints through the entire lifecycle with Saxo Bank. The quality of

the experience is defined by how we align across all touchpoints, serve the individual needs of the clients, deliver on our key objectives and build both a sound money making logic and a strong brand affinity with the clients. As we build our experience differentiators, they will be naturally be available for partners as well, allowing them to service their end clients better.

While the Saxo Bank Group is a digital, platform-first company, we operate a global commercial model where sales and service are coordinated centrally and executed locally. We always seek a win-win relationship with our clients and prudent money making logic is a key element. Our volumes, margins and income will have to make sense from a competitive point of view for the clients, Saxo Bank and its shareholders. To that end, we are highly transparent on prices, conditions and costs.

Through our sales staff in the local offices, we offer a human element of the sales and service process towards our direct VIP and Platinum clients and partner clients which is also part of the SaxoExperience. Without being relevant locally, Saxo Bank would not be able to attract, service and obtain referrals from the VIP and Platinum client segments, both being profitable segments for the bank.

The Saxo Bank Group aspires to have a high Net Promoter Score (NPS) across all markets. To facilitate improvements to client journeys, platforms and our services, we formed

a dedicated clients insights group in 2020. Creating client-centric feedback loops ensures our drive towards better client experience is productive. The digital journey which is constantly being refined is our key element in attracting and converting the many leads to new clients.

Our marketing efficiency, the client acquisition cost versus client profitability, increased in 2020 with marketing break-even at 2-3 months and conversion rates measured as leads to new trading clients approaching 26%. Building on this, when deemed prudent and reliable, we offer clients digital onboarding with a larger percentage being onboarding automatically, i.e. fully STP, and the balance being either assisted digitally through chatbots or by service staff, or being converted into a manual process for e.g. high risk clients and assisted by service staff.

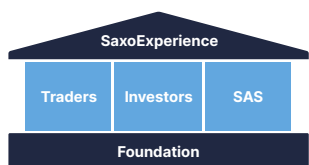
To assist our clients in making more informed decisions, Saxo Bank Group further develops timely and relevant content, investment themes where investors can be inspired or express their interests and make an impact by investment in themes they believe in. One example is renewable energy where the investment thesis is laid out by the strategy team of Saxo Bank, SaxoStrats, and a number of stocks and ETFs fitting within the theme are shown. Another is a dedicated welcome screen, educating clients on risk management strategies and tools, which allows the clients to protect their portfolios and Saxo Bank to cross and upsell.

In 2020, we added new products to the platforms, based on our open business model, which means we are product neutral. We do not sell our own products, but act as a facilitator, connecting our clients with the international markets on competitive terms.

The product suite of 40,000+ instruments offered by the Saxo Bank Group allows the clients to trade and invest in cash and fund products, in leveraged products or let the experts manage their money through one of the managed portfolios built by external experts. As one of the only companies in the world, the Saxo Bank Group offers and operates a truly multi-asset and diversified product portfolio globally for both retail and professional clients.

To offer the best SaxoExperience and increase the relevance for all our clients, the Saxo Bank Group continues to invest in developing the products and portfolios offered. As an example, in 2020 we added FX swaps, Malaysian equities, US listed options in Japan, ASX options in Australia, eIPOs in Hong Kong, turbos in France, CFDs in Italy, etc.

The trading related revenue generated by each product line grew across the board, and in May 2020 trading related revenue from stocks surpassed revenue from stocks in the full year 2018 and the full year 2019, respectively. 2020 further saw a more diversified product composition than historically with stocks being 36% of trading related revenue compared to 11% in 2018. Stocks together with CFDs are now generating more trading related revenue than FX Spot.



Traders, Investors and SAS (wholesale)

The Saxo Bank Group aims to be the preferred partner for traders, investors and SAS (wholesale) clients through

delivering a world class digital experience for all clients, based on our digital and platform first strategy. For direct VIP and Platinum clients and SAS (wholesale) clients, the Saxo Bank Group offers an enhanced service through a dedicated personal sales and service team located in our 17 offices around the world.

With the outset in our vision of empowering people to make impactful financial decisions, we tailor the SaxoExperience to each of our client segments traders, investors and SAS (wholesale) which has proven to be effective.

>



> Client performance

// Saxo Bank Group

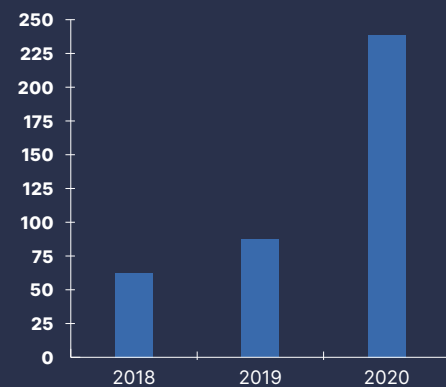
The growth ambitions of the Saxo Bank Group remains intact, and 2020 marked a year of positive results both from leading indicators and lagging indicators.

New trading clients. The inflow of new trading clients¹⁾ remained strong throughout the year and not only in the most volatile period of early 2020. The Saxo Group welcomed more than 238,000 new clients, with 20,000+ direct traders, 125,000+ direct investors and 90,000+ new SAS end clients. For investors the increase corresponds to more than 275% growth.

New client assets. The clients, new and existing, entrusted the Saxo Bank Group with net new funding of more than DKK 70 billion compared to DKK 17 billion in 2019, representing an increase of more than 300%.

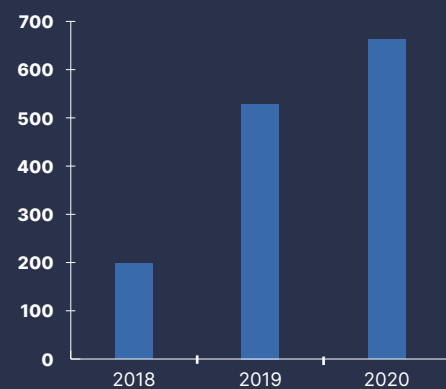
New trading clients

Total clients ('000)



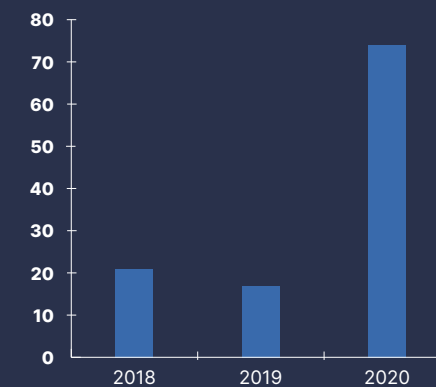
Total clients

Total clients ('000)



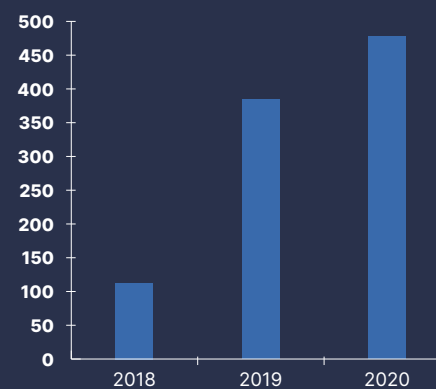
New client assets

DKK billion



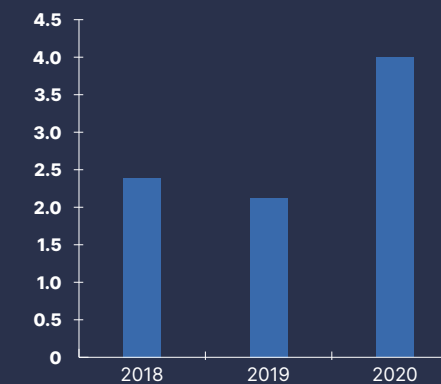
Total clients assets

DKK billion



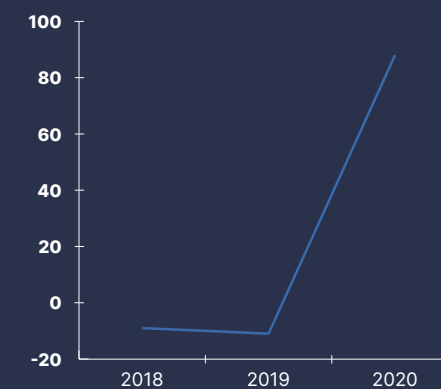
Trading related revenue

DKK billion



Trading related revenue

Growth (%)



¹⁾ New clients who placed their first trade within the year.

> **New trading related revenue.** The trading related revenues from new clients onboarded in 2020 amounts to DKK 857 million which corresponds to 21% of total trading related revenues versus 12% for 2019.

Total clients. The total client base grew to 662,000 in 2020, a 25% increase from 2019 of 528,000. The average number of active clients per month stood at ~261,000 in 2020, representing more than 50% annual growth.

Total client assets. With the new funding from clients and the increase in value of clients' positions from asset appreciation, the Saxo Bank Group held DKK 478 billion of assets on behalf of our clients. For investors the client assets grew 22%, while the client assets for traders remained roughly unchanged, and client assets from our partners' end clients grew 40% in 2020. Anecdotally, it took Saxo Bank approximately 25 years to gather the first DKK 100 bn, whereas it has taken the Group at little more than three years to gather the next DKK 400 billion.

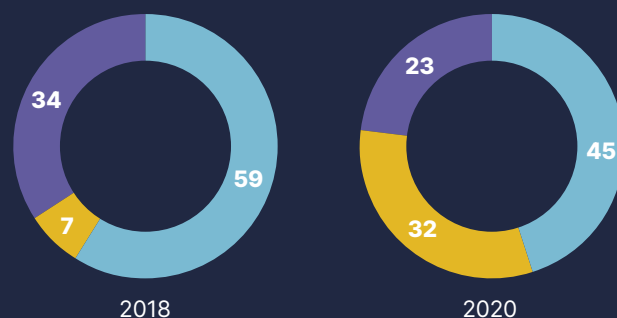
Total trading related revenue. The trading related revenue generated in 2020 was more diversified between the client businesses compared to previous years, representing a more sustainable revenue base and split between traders, investors and SAS (wholesale). The trading related revenue in 2020 was split 45%, 32% and 23% between direct traders, direct investors and SAS.

The Saxo Bank Group operates three channels for scale and growth. Direct (traders and investors), SAS (wholesale) and M&A. While the M&A activity in 2020 for Saxo Bank was predominantly focused on the BinckBank integration, Saxo Bank struck a deal to acquire Strateo's trading and investment clients in Switzerland and engaged in other similar conversations. The clients of Strateo will be onboarded onto the Saxo platforms in 2021, and the acquisition evidences Saxo Bank's strategic ambition to scale in all markets.

Share of trading related revenue

Percentage (%)

- Traders
- Investors
- SAS



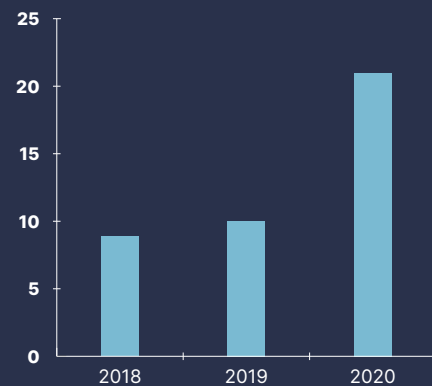
> Client performance

// Traders

The trader business experienced a healthy growth in 2020 despite increased regulatory and compliance demands including ongoing risk assessment and due diligence of the individual client. We launched new products and features like FX swaps, US listed options in Japan and ASX listed options in Australia.

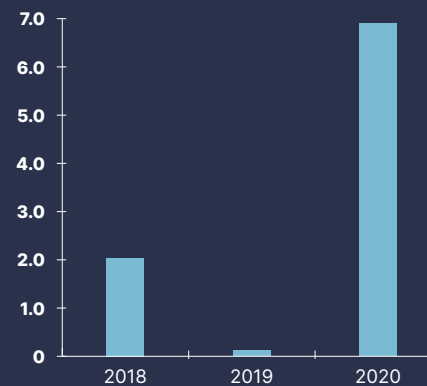
New trader clients

Total clients ('000)



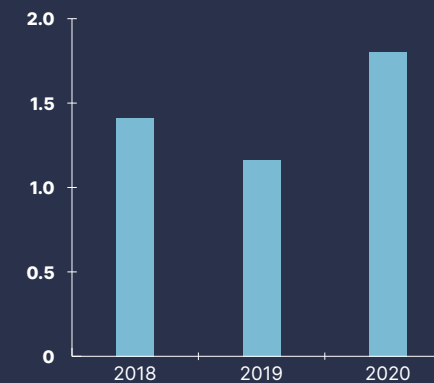
New client assets

DKK billion



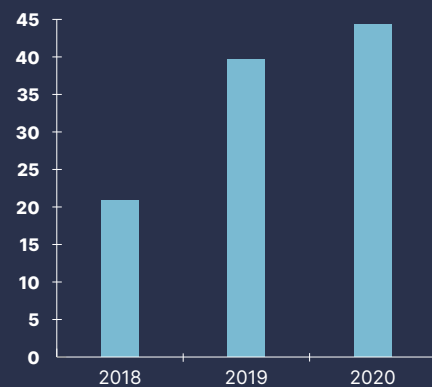
Trading related revenue

DKK billion



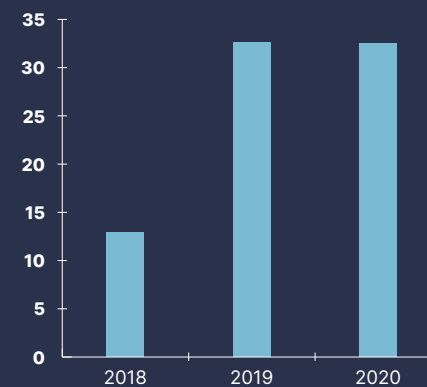
Total clients

Total clients ('000)



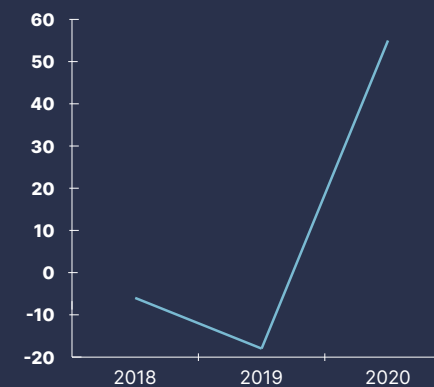
Total clients assets

DKK billion



Trading related revenue

Growth (%)



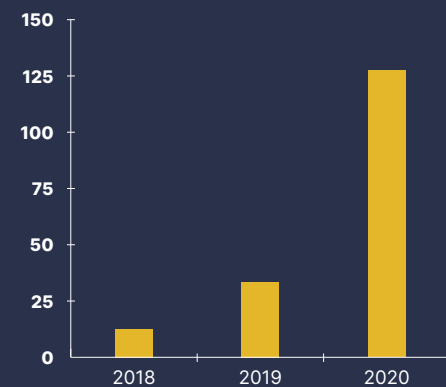
> Client performance

// Investors

The Saxo Bank Group's increased focus on the investor business was accelerated over the past years and in 2020 the strategy was manifested by the highest growth rates in terms of new direct investor clients, new client assets and platform usage resulting in strong revenue growth generated by investors. As of December 2020, the dedicated investor platform has been rolled out in Denmark, Singapore and France. With our ambition to attract and service investor clients, we will be rolling out the investor platform to all other markets over the next few years.

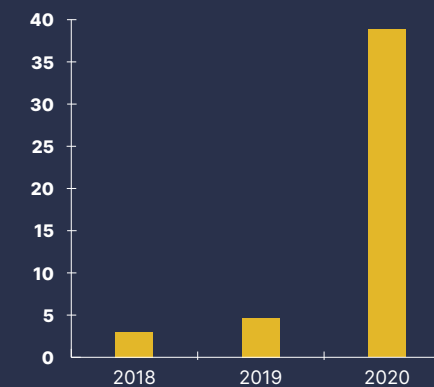
New investor clients

Total clients ('000)



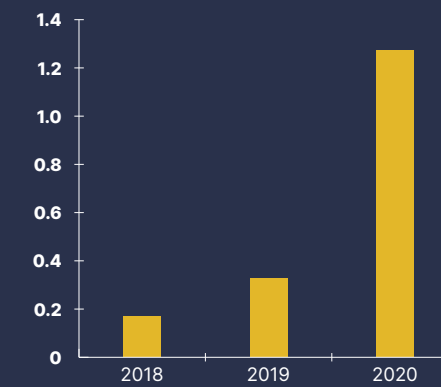
New client assets

DKK billion



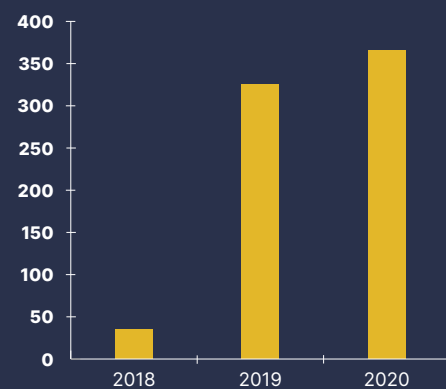
Trading related revenue

DKK billion



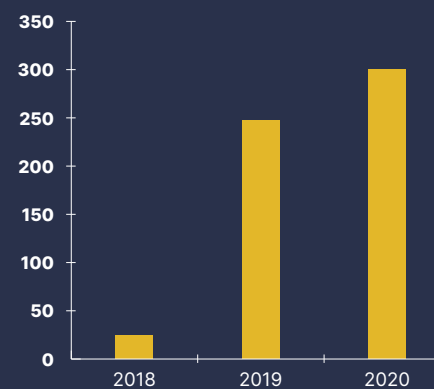
Total clients

Total clients ('000)



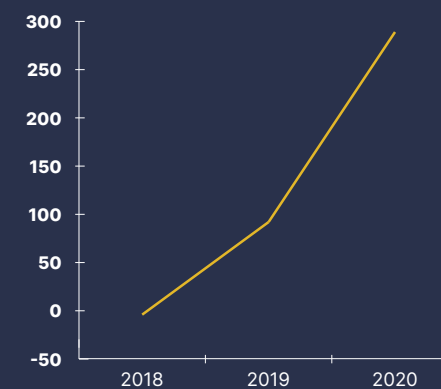
Total clients assets

DKK billion



Trading related revenue

Growth (%)



> Client performance

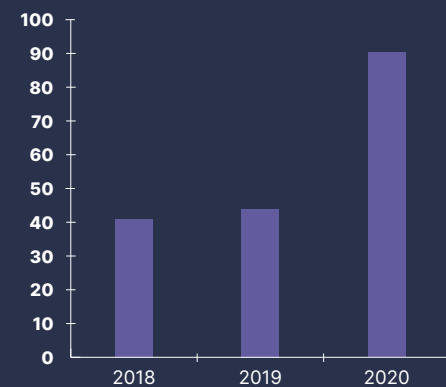
// SAS (wholesale)

Our wholesale business continued the positive growth trajectory in 2020 with new partners being onboarded and existing partners onboarding more end clients. Our partners, and their end clients, have benefitted from the increased investor focus. The composition of the end client base became more diversified from a revenue perspective as the investor business grew faster than the trader business. As the investor platform is rolled out in more markets, our partners will naturally benefit from being able to offer the investor platform to their clients.

The growth in number of new trading clients and client assets has accelerated dramatically over the past years stemming from both organic and client and asset acquisition.

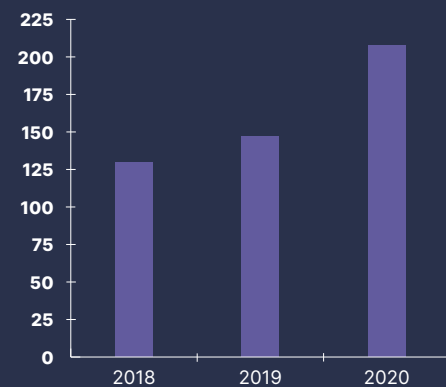
New SAS (wholesale) clients

Total clients ('000)



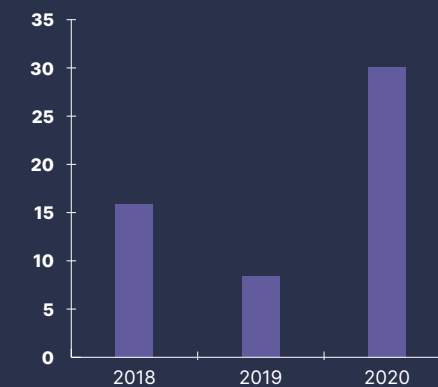
Total clients

Total clients ('000)



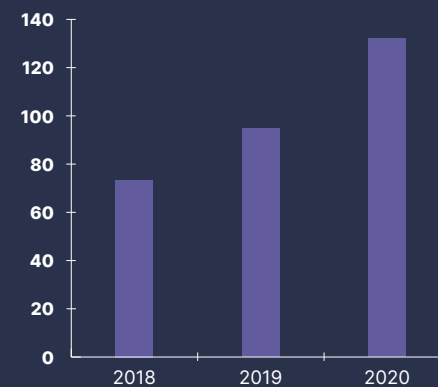
New client assets

DKK billion



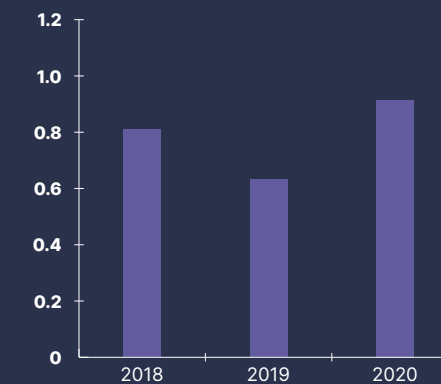
Total clients assets

DKK billion



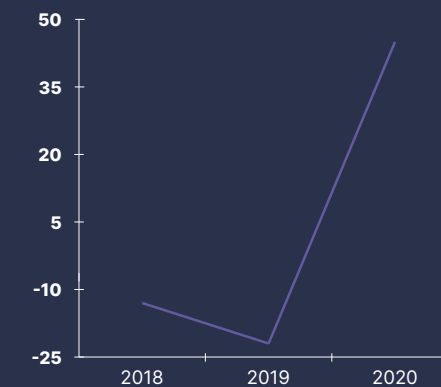
Trading related revenue

DKK billion



Trading related revenue

Growth (%)



> Client platform usage

As the clients' needs change, they naturally migrate between the platforms. We see clients over time growing more savvy and thus upgrading from SaxoInvestor to SaxoTraderGo, and from SaxoTraderGo to SaxoTraderPro, allowing them access to new features, risk management tools and margin products. In 2020 SaxoTraderGO was the most used platform, with SaxoInvestor as the second most used platform in legacy Saxo Bank. As the Investor platform is rolled out globally to our direct clients and partners, and the BinckBank clients are migrated onto Saxo Bank's platforms, we expect to see the Investor platform being the dominant platform in term of users. In November 2020, approximately 58,000 French former BinckBank clients were migrated to the SaxoInvestor platform and another 350,000+ clients from the Netherlands, Italy and Belgium will be migrated in 2021.

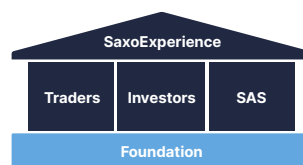
Client geographical distribution

Based on our commercial model, we service our clients through our platforms and APIs globally and through our offices locally. The SaxoExperience is localised to the markets we operate in, including languages, products, and themes.

2020 marked a year where our offices broadly grew in terms of new and total number of clients they service, client assets and the revenue they generate. 3 offices grew their trading related revenue more than 100%, 8 offices more than 20%, and 3 offices between 5 and 20% compared to 2019, with an average of 61%. No office experienced negative growth.

In our Greater China region, our Hong Kong office made a giant leap forward in becoming more relevant by adding eIPOs, the possibility to subscribe to IPOs directly in the SaxoTraderGO platform. eIPO is a popular feature with new clients signing up because of that feature and subsequently

migrate into regular clients. As we increase our relevance in the Greater China, we expect meaningful business volume to increase.



Foundation

Saxo Bank is operating, constantly developing and improving the full digital value chain that Saxo Bank delivers to its clients and its

partners which is required to operate a regulated financial institution and manage risk and compliance in a prudent way. We call this the Foundation. A key metric for the Foundation is maintaining platform availability and stability for our clients and for ourselves to increase our productivity. In 2020, although we experienced a few minor incidents, our clients did not experience any significant outages of platform availability or stability, uptime was > 99.9999%.

Saxo Bank is on a path to deliver all our digital services from the cloud, based on a micro services infrastructure providing us with the ability to launch new features much faster and more secure. The benefit is shorter time to market, a more robust infrastructure and much more agile, scalable and flexible platform. Today, we are operating close to half of our services in the cloud.

Building the right, scalable infrastructure, secures Saxo Bank a highly competitive market position to offer the best combination of products, platforms and services to Saxo Bank's clients and partners. The capex in developing our foundation has increased over time and in 2020 amounted to DKK 561 million, in 2019 DKK 566 and in 2018 DKK 438 million.

The synergies from operating one technology stack and one set of global business processes are apparent, and today 120+

White Label Partners are powered by Saxo Bank technology.

In 2020, Saxo Bank delivered a new investor platform to our French clients, a user experience uplift to our SaxoTraderGO and PRO platforms. A new in-platform chatbot functionality, enhancements to the digital client experience in onboarding, notifications and automated alerts, a two-factor login solution, eIPOs to our Hong Kong clients, SRDs to our French clients, extended CFD products for partners, an agent feed integration for corporate action STP, a new reference architecture based on Azure and containers, and many more new solutions all targeted at delivering a better SaxoExperience, scaling our infrastructure or reducing cost and complexity.

Linking our operations and our development efforts to the SaxoExperience is key. Being able to constantly adapt to client demands in a prudent and digital way, allowed Saxo Bank to adopt a more granular client risk model allowing the STP onboarding flow to be streamlined and thereby welcoming 238,000+ new clients in 2020. That would not have been possible a few years ago. We further strengthened this area through higher quality of local data validation, increasing our efficiency and scale.

Saxo Bank's leveraging its strengths

The global trends of traders and investors taking more control of their destiny, investors leveraging digital asset management, our partners outsourcing more of their value chain, all plays into the strengths of Saxo Bank. Saxo Bank has delivered unique platforms and solutions for many years and will be delivering new user friendly platforms and solutions going forward for our clients to fulfil their financial aspirations and make an impact. Saxo Bank is well positioned to play a larger role towards traders, investors and wholesale clients now and in the future and the strategy and execution plan has laid out the road map for how to get there.

Awards

The Saxo Bank Group continued to be recognised for its industry-leading product, price, platform and services with key award wins in 2020. [The 8 awards bagged by the Group in 2020 bear testament to the superior offerings and innovative solutions Saxo Bank Group has to offer for clients and partners around the world.](#) Notable wins include clinching the Best Payments and Collection Solution in Southeast Asia and being on a winning streak in the prestigious Finance Magnates Awards for four consecutive years.



Best prime-of-prime broker
Saxo Bank



Best retail FX platform
Saxo Bank



Best prime-of-prime house
Saxo Bank



Business Model

Saxo Bank is a global, multi-asset facilitator. We deliver capital markets access, products and services through our multi asset platforms to Traders, Investors and SAS (wholesale). Based on our open business model, we unbundle the value chain, source from the best in the market, process through one technology stack, and deliver to clients through our platforms – all tied together by the SaxoExperience.

Capital markets products, services and liquidity



We unbundle the value chain through our open architecture.

We source the best ideas, products, liquidity and services from the best providers.

Saxo Bank facilitation

Tech Stack

Trading platforms
FIX / Open API
CRM & CMS API
OMS / EMS
Broker connectivity
Hosting services



Clearing and settlement
Client account structures
Margin & risk management
Market data connectivity
Custody
EOD files, FSSO & TENS
Regulatory reporting

Processes

Business management
Client management
Integration



Execution and trading
Market data
Custody and back office
Reporting

We run and develop one global, multi-asset, multi-tenanted tech stack, and one set of global business processes.

Distribution to clients The SaxoExperience

Traders



SaxoTraderPRO and SaxoTradersGO for self-directed traders.

Investors



SaxoInvestor for self-directed and delegating investors.

Wholesale



Outsourced capital markets infrastructure.

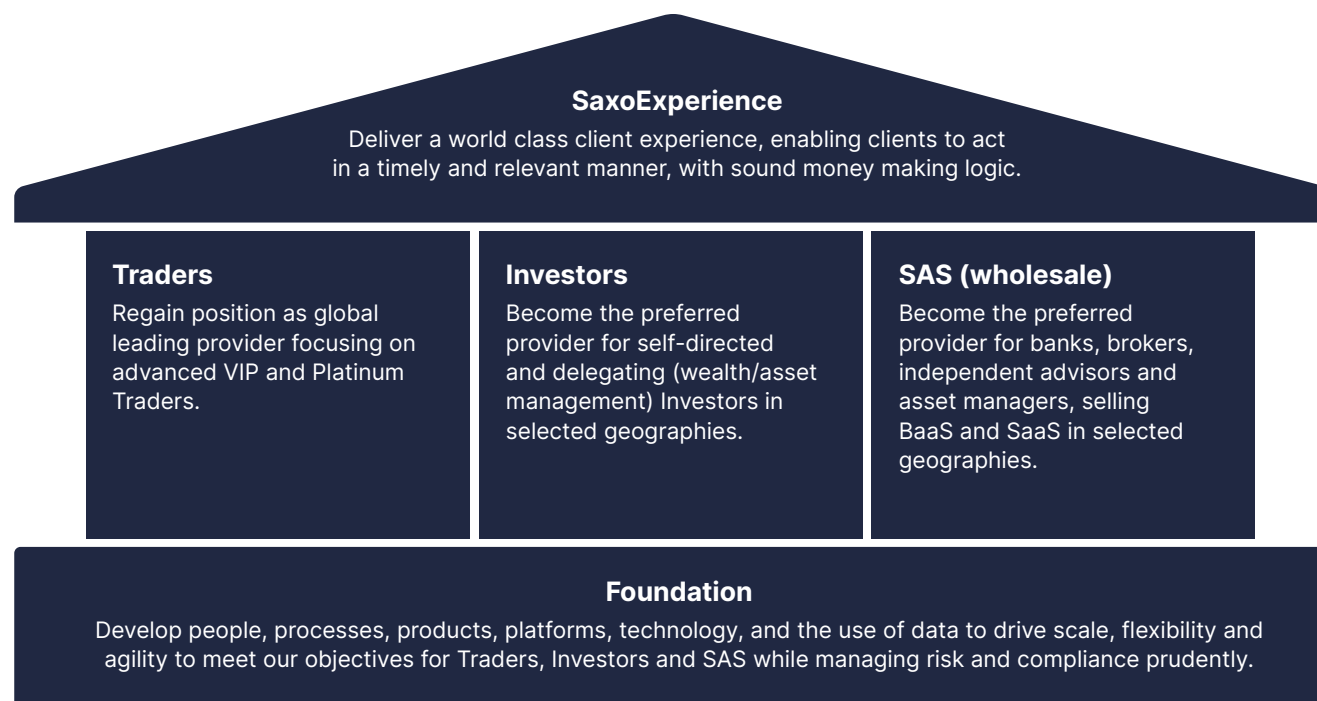
We distribute capital market and asset management products and services through our platforms tied together in the SaxoExperience.

Strategic Direction

Saxo Bank's vision is to enable people to fulfil their financial aspirations and to make an impact. **In order to get there, we must constantly innovate to improve the SaxoExperience**, so that clients can act in a timely, relevant and informed manner in local and global financial markets.

With our vision as the guiding star, the Strategy and Execution Plan for 2021 – 2023 offers a clear path forward as we continue the journey to expand our reach to more clients, in particular in the investor business, becoming more relevant for the trader business, to professionalise our partnership

business and ensure our technology is scalable, flexible and agile. Our business model is open and we service all of our clients and partners via our multiasset platforms and API's while managing risk and compliance prudently. All of it is required to deliver a world class SaxoExperience.



We need scale and growth which we achieve by getting “more happy and active clients cheaper, while we reduce cost and complexity”.

We express our strategy and focus graphically in the Saxo Bank Strategy House.

Saxo Bank aims to be the preferred partner for traders, investors and SAS (wholesale) clients through delivering a world class digital experience for all clients, based on our digital and platform first strategy. For direct VIP and Platinum clients and Partners, Saxo Bank offers an enhanced service through a dedicated personal sales and service team located in our 17 offices around the world.

Traders

Direct traders are B2C clients that trade actively with higher risk, shorter holding periods and primarily trade margin products. Traders prefer using the sophisticated trading tools and timely data delivered by Saxo Bank through the SaxoTrader-PRO or SaxoTraderGO platforms.

Investors

Direct investors are B2C client that have a longterm investment horizon, focus on cash products with a lower risk profile. Investors are either selfdirected or delegating, where the majority of their assets are in asset management products. Saxo Bank services Investors through the SaxoInvestor and SaxoTraderGO platforms.

SAS (wholesale)

The Saxo Advanced Solutions' group manages our wholesale clients (B2B2C) and direct B2B clients. Wholesale clients use Saxo Bank's capabilities to provide access for their end clients to the global capital markets. The client leverage Saxo Bank's state of the art infrastructure and solutions allowing the part-

- > ners to focus on servicing their client (Banking as a Service). The partners are serviced via dedicated partner tools and through all our platforms, including Open API and FIX API.

The ambitions for our foundation is to develop people, processes, products, platforms, technology, and the use of data to drive scale, flexibility and agility to meet our objectives for Traders, Investors and SAS (wholesale) while managing risk and compliance prudently. We leverage one global technology stack with a common set of business processes being cloud enabled in microservices. This allows for agility, scale and flexibility. Saxo Bank needs scale to win and create win – win.

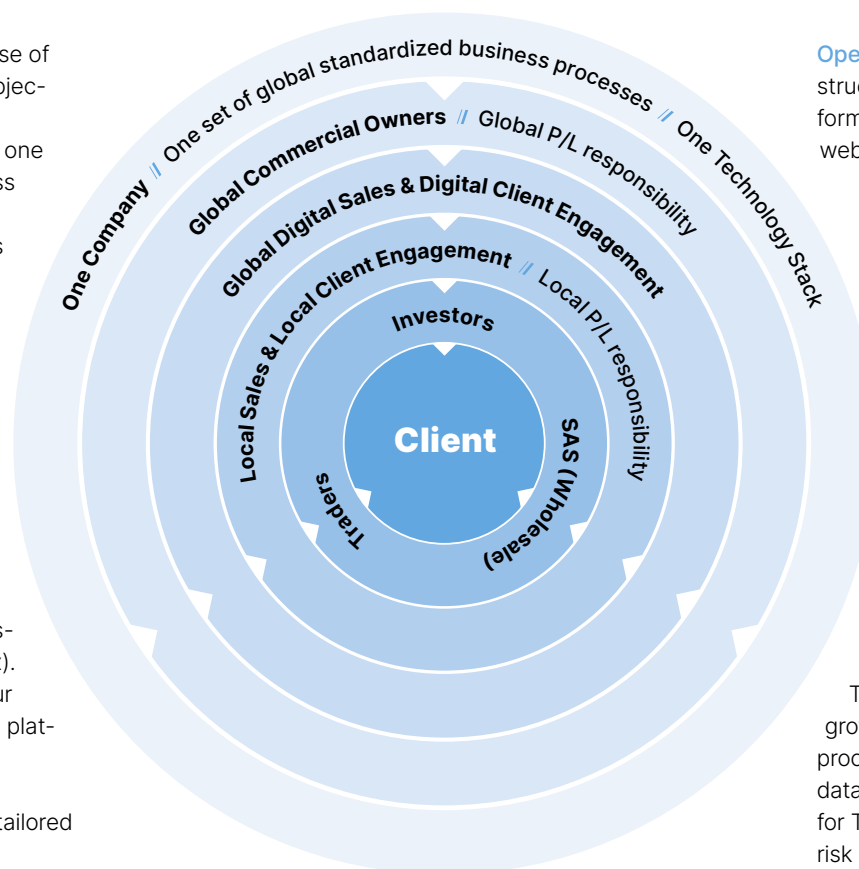
Greater China is a key market for Saxo Bank and with the upstart of the Saxo Fintech joint venture between Geely and Saxo Bank located in Chongqing, China, the Bank now has a larger presence in Mainland China. As the IP and technology of the Fintech has been acquired from Saxo Bank through Saxo Geely Tech Holding, the potential is great as the Chinese market opens up and matures.

Saxo Bank offers three award winning platforms (Investor, Go, Pro) and two API infrastructures (Open and Fix). The state of the art platforms are where we service our clients and once onboarded, the clients can access all platforms from one single account.

SaxoInvestor. Our intuitive and user-friendly platform tailored to the Investors.

SaxoTraderGO. The more advanced platform, which on top of the intuitiveness and user-friendliness, allows access to margin products and more advanced trading tools.

Commercial model: Global and local commercial ownership to become truly client centric



SaxoTraderPRO. The platform is targeted to professional traders and offers great opportunities for intuitive, customised user-interface setup, as well as full access to one of the world's largest trading universe and risk management features.

Open API. Access Saxo Bank's entire capital markets infrastructure on the same API used by our award-winning platforms (including market data) through a single REST web API based on modern standards.

FIX API. Gain market access through a fast, flexible and fully-documented electronic infrastructure and receive tailored multi-asset liquidity via FIX API.

Strategy implementation towards clients is executed based on our commercial model. The model ensures that the commercial activities are anchored with and executed by the right people centrally and locally in our offices. Our three commercial owners are each responsible for the entire Traders, Investors and SAS (wholesale) experience, to facilitate we always offer the best possible solutions to our clients in close partnership with our local offices.

Linking it all together

The strategic direction of Saxo Bank is to build scale and growth. The Foundation is our core where we develop people, processes, products, platforms, technology, and the use of data to drive scale, flexibility and agility to meet our objectives for Traders, Investors and SAS (wholesale) while managing risk and compliance prudently. All of it with the aim to deliver a world class Saxo Experience.

Saxo Bank monitors and track our strategy execution through a set of KPIs that remains relevant both at Group level as well as by client segmentations geography, product, platforms.

- > It can also be said in a much simpler way, as we strive towards:
“More happy and active clients cheaper, while we reduce cost and complexity”

NPS (Net Promoter Score). How satisfied (happy) are our clients with their experiences, our platforms, products, service, prices, content, etc.

Total clients. A measure of the true growth (more) of our client base.

Total client assets. A measure of client funding and client assets (happy) with Saxo Bank which indicates the potential of the client base either from investing, funding margin trading or placing in managed portfolios.

Revenue. How well we are performing towards the client satisfaction, leading to trading activity (active).

Recurring revenue. A measure of the stability in our income generated from clients' asset balances and trading (happy and active), allowing us to continuously develop the Saxo-Experience and platforms to our clients and partners.

EBITDA. A measure of the operating efficiency of the business that allows for shareholder value generation (cost and complexity)

Cost/Income ratio. A measure that on sustainable we are operating the business (cost and complexity). The C/I ratio is measured on profit before tax.

In conclusion, Saxo Bank strives to be the most innovative and best choice for clients who want to impact their lives by making informed and optimal financial decisions.



Social Contribution

Human rights & Diversity

Saxo Bank has a key focus on securing the best talent regardless of age, gender, religion, ethnicity or nationality. Throughout the organisation, Saxo Bank encourages and aims for diversity in all its dimensions in the hiring process, graduate programmes and other internal operations. Saxo Bank employs 65 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.

Saxo Bank considers its primary risk in relation to human rights being discrimination. Saxo Bank complies with collective agreements and human rights across its offices and is committed to achieving a work environment founded on equality and diversity. Saxo Bank has a zero-tolerance policy to any form of discrimination of its employees or anyone involved in the Bank's activities. Discrimination includes

unequal treatment on the basis of race, gender, age, disability, sexual orientation, religion, ethnicity, or simply compromising the principle of equality. Managing risk in this regard is crucial to attracting talent across all geographies and to safeguard the brand and reputation of the Bank.

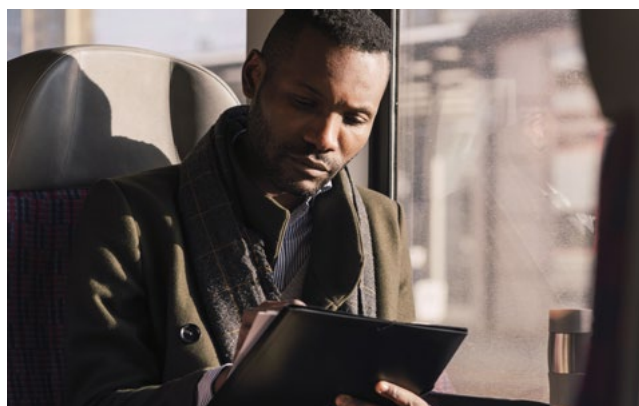
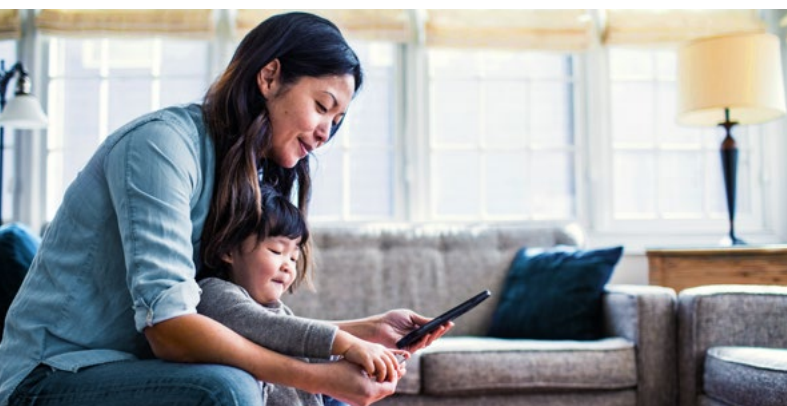
Saxo Bank has a goal of increasing the number of women at all leadership levels in the bank and has implemented a gender diversity policy and set targets for the gender diversity in the Board of Directors.

In 2019 Saxo Bank set a target to have 20% women in the Board of Directors by 2021. As of 31 December 2020, the share of women in the Board of Directors was 0% and does not meet the target. For general leadership positions within Saxo Bank, the proportion of women was 19.3% in 2020. Saxo Bank's target for women in senior leadership positions remains at 30% while the level at the end of 2020 was 9.0% (Senior Management Team) or 13.8% (Director level and above).

The Board of Directors acknowledges that more needs to be done to ensure gender diversity in the Board of Directors and is committed to improving the gender composition. Therefore, the Board of Directors has set a new and more ambitious target effective as of 2021 to have at least 30% women on the Board of Directors by 2024. Read more about the Board composition in Corporate Governance section.

In order to actively promote diversity at all levels of the organisation, the Diversity at Saxo Bank initiative was launched globally in December 2020. Diversity at Saxo Bank is dedicated to support a diverse workplace, networking and progression opportunities, facilitate knowledge sharing, and to ensure that Saxo Bank is seen as an attractive company to investors of all genders, looking to invest to make an impact.

There are three Working Groups that jointly promote equality and break down barriers for clients and employees at Saxo Bank.



- > // For Saxo Career, the objective is to identify and remove gender bias internally, across hiring, promotion, leadership, and overall corporate culture.
- // For Saxo WIN, the objective is to enable more women to fulfill their financial aspirations.
- // For Saxo Community, the objective is to build communities and facilitate knowledge sharing amongst Saxonians, men and women alike.

Employee engagement

Employee engagement is a constant focus for the leadership of Saxo Bank as it is critical for the well-being of all Saxonians, how Saxo Bank delivers on its strategy and further develop the clients and the business. Saxo Bank has a comprehensive policy on employee matters that is built on fairness, transparency and well-being of the employee.

At Saxo Bank we focus on win-win and the impact of our efforts and we set high expectations for ourselves and each

other. Saxo Bank believes in providing an energising and inspiring working environment in our offices around the world. The development, motivation and well-being of our employees is crucial for Saxo Bank and we strive at providing surroundings and benefits catering for that.

The annual Employee Engagement Survey (EES) is the occasion where Saxo Bank systematically collects data from the organisation on how we perform on Employee Engagement, Leadership in the company, Organisational capabilities, Goals and Strategy.

The Survey is used by the Executive Team, leaders, employees and Group HR to identify our strengths as a company but also areas of improvement and development, thereby enabling us to act, change and create a better working environment to become an even higher performing and stronger organisation.

The 2020 EES has seen a high rate of participation at 92%. Overall, the feedback from employees has shown that while overall engagement has been high, more can be done in the tracks of familiarity with the Group's strategy. A number of specific initiatives are being cascaded throughout the organisation to both protect what is already working and to further improve on specific areas highlighted in the EES.

Firstly, to create more engagement and enhance the cross functional collaboration culture in Saxo Bank, Engagement Teams consisting of Saxo Bank employees across functions and geographies has been created. The Teams were tasked to come up with an idea to increase engagement in the organisation as well as benefit the performance of Saxo Bank linking in to the most relevant focus areas based on this year's survey results.

Secondly, local engagement in the Amsterdam office through workshops and local teams has been initiated.



- > Thirdly, the functional organisations have been working with the EES results through team workshops facilitated by the individual leader.

Finally, to ensure that the familiarity with Saxo Bank's strategy is increased, the management has been conducting townhalls, workshops and meetings to support the understanding and embedding of the strategy of Saxo Bank amongst employees.

Anti-Money Laundering

Being a facilitator of access to global capital markets for traders, investors and partners worldwide, Saxo Bank 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 result 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.

Anti-Bribery and Corruption

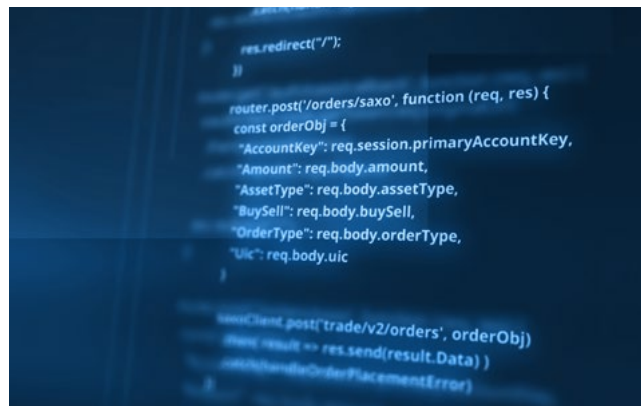
In order to demonstrate its commitment towards promoting integrity and trust within the financial industry, Saxo Bank has taken a wide range of initiatives to increase transparency and to increase confidence from clients so that they can make the best choice when choosing a facilitator. As one of the first banks, Saxo Bank has signed up to the FX Global Code of Conduct, which is aimed at improving industry standards and promoting best practice among FX market participants.

In addition, this year we have appointed an Anti-Bribery and Corruption Officer who is tasked with assessing compli-

ance with the policy and to whom suspicions of bribery or corruption within the Group can be reported. Another result in 2020 was the rolled out a new e-learning course on the subject to all employees, which 93.6% of all internal staff completed in 2020.

Climate and Environment

On a corporate level, Saxo Bank is also committed to reducing its impact on the environment. As a digital-first business, our carbon footprint remains relatively low. We also leverage technology to cool our building and servers with sea water. Since 2019, we have done away with the use of plastic bottles, cups, cutlery etc. and have replaced these with glass bottles and pottery instead. Furthermore, we have instilled a number of initiatives in the canteens of in our major locations, aiming at significantly reducing food waste and carbon footprint. These initiatives are driven in cooperation with suppliers and partners.



> Tax and other duties

Saxo Bank appreciates that taxes and other duties constitute an important part of our social contribution in the countries in which we do business. Corporate tax is only a limited part of the total tax contribution. A large part is made up of direct and indirect taxes, such as real estate tax, payroll tax, non-recoverable VAT and social contribution from employees. In addition to its total tax contribution, Saxo Bank contributed indirectly through purchases of services, goods etc. from vendors, which again contributes through its employees, purchases and direct and indirect taxes etc.

Saxo Bank does business responsibly, meeting the expectations for a good corporate citizen. This means paying taxes on profits according to where the value is created and in accordance with local tax legislation. It also means having a balanced tax risk profile and not engaging in any tax-avoidance activities.

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

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

Total tax contribution made by Saxo Bank Group

DKK million	Denmark			Other countries			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Corporate taxes including CFC taxes	71	6	-	255	69	50	325	75	50
Payroll taxes	285	292	288	179	105	65	464	397	352
Social taxes	2	1	1	70	73	57	72	74	59
Financial Services Employer taxes	111	111	107	-	0	-	111	111	107
Property taxes	4	4	4	3	2	2	7	6	6
Value added taxes	112	116	118	73	35	11	185	151	129
Taxes on dividends	-	-	-	-	-	1	-	-	1
Other taxes	-	0	3	21	21	16	21	21	19
Total taxes	585	530	521	601	306	202	1,186	836	723

The Saxo Bank Foundation

Whether it is when navigating financial markets or in everyday life - at Saxo Bank we aim to empower all human beings to act and evolve without constraint. You can be as different as you want – but never indifferent. We don't expect anyone to be perfect, but we do expect everyone to always take their point of departure in our seven virtues. We believe the most proven path to a successful career and a meaningful life starts and ends exactly there – every day, every relation, every trade and every investment.

www.home.saxo/foundation



Financial Review

Saxo Bank Group reported a net profit of DKK 750 million for 2020, compared to DKK 40 million for 2019. **Operating income for Saxo Bank Group amounted to DKK 4.3 billion in 2020 compared to DKK 2.6 billion in 2019, an increase of 65%.** BinckBank N.V. is included in the Annual Report from the time of acquisition in August 2019. The Board of Directors find the result for the year very satisfactory and in line with our latest expectations for 2020.

Saxo Bank Group's result is directly linked to the clients trading activity. Following the outbreak of COVID-19, volatility in financial markets has increased significantly leading to increased activity among the Saxo Bank Group's clients.

The Direct client base grew by more than 145,000 new active clients, bringing the Group's total to a record of more than 660,000 clients. Total client assets reached DKK 478 billion by the end of 2020, another record for the Group, up from DKK 384 billion at the end of 2019.

Staff costs and administrative expenses for Saxo Bank Group amounted to DKK 2.7 billion in 2020 and increased slightly by 5% compared to 2019. In 2020 the Group invested DKK 561 million in technology and digitisation, which is a decrease of 1% compared to investments of DKK 566 million in 2019. The cost/income ratio for Saxo Bank Group decreased to 75.0% from 96.7% in 2019.

In 2020, a warrants scheme was introduced where 2,807,765 warrants were granted to Board of Management and certain

employees with a right to subscribe for shares in Saxo Bank A/S. In total DKK 4 million was recognised as staff costs and administrations expenses for the warrants scheme.

Other expenses for Saxo Bank Group were DKK 57 million, an increase of DKK 43 million compared to 2019, which primarily relates to Deposit Guarantee Schemes due to the increase in client deposits in 2020.

EBITDA reached DKK 1,612 million in 2020 compared to DKK 822 million in 2019 primarily driven by the increase in revenue.

The continued successful integration of BinckBank N.V. is a result of strong efforts and teamwork across the Saxo Bank Group. In 2020 we succeeded with onboarding of BinckBank France's clients to the Saxo Bank platform and the integration plan for the remaining former BinckBank offices is progressing according to plan.

Impairment charges for loans and receivables etc. in 2020 were DKK 24 million compared to DKK 9 million in 2019 and related to client credit losses as well as expected credit losses.

Key figures

DKK million	2020	2019	2018	2017	2016
Operating income	4,316	2,611	2,786	3,027	2,930
EBITDA	1,612	822	1,408	932	845
Profit before tax	1,080	109	1,029	554	418
Net profit	750	40	963	401	302
Total equity	7,401	7,082	5,552	4,621	4,238
Total assets	78,784	74,930	34,484	39,956	43,579
Clients' assets	477,509	383,974	112,578	116,146	105,664
Hereof Assets under Management	9,046	8,480	-	12,524	13,314
Total capital ratio	32.6%	32.9%	35.0%	22.7%	19.5%
Return on equity before tax	14.9%	1.7%	20.2%	12.5%	10.2%
Full-time-equivalent staff (end of year)	2,224	2,170	1,658	1,594	1,639
Hereof employed in India	718	626	584	499	462

Result second half 2020

The net profit in second half of 2020 was DKK 221 million compared to DKK 529 million for first half of 2020. Second half was affected by a slightly lower operating income, which amounted to DKK 2.0 billion compared to DKK 2.3 billion in first half of 2020. The first six month of 2020 was an extraordinary period both in terms of uncertainty and volatility primarily caused by the COVID-19 outbreak. In second half of 2020 we saw normalised levels within clients' trading and inflow of clients' assets.

> Statement of financial position

The cash inflow from clients' deposits are placed with counterparty banks, in bonds and other interest-bearing assets. Cash in hand and demand deposits with central banks amounted to DKK 29 billion as of 31 December 2020.

Loans and other receivables at amortised cost were DKK 4.8 billion as of 31 December 2020 compared to DKK 9.9 billion as of 31 December 2019, a decrease of 51%. Furthermore, Saxo Bank continued its balance sheet simplification and optimisation in 2020. As part of this, investment in Dutch mortgage books of DKK 5 billion have been disposed in second half of 2020, resulting in a net loss of DKK 15 million.

Other assets decreased by 65% to DKK 360 million as of 31 December 2020 compared to DKK 1,034 million as of 31 December 2019 primarily due to repayment of loan note of EUR 75 million from the 50% owned joint venture Saxo Geely Tech Holding A/S.

Furthermore, Saxo Bank A/S has converted loan note of EUR 75 million to share capital in the joint venture Saxo Geely Tech Holding A/S which affected Investments in joint ventures.

Saxo Bank Group continuously builds its presence in the Chinese market as part of executing on its long-term mainland China strategy. In August 2020, Saxo Financial Technology Company Limited (Saxo FinTech), a 100% owned Chinese subsidiary to the joint venture was established. The Chinese subsidiary was funded with EUR 300 million in IP rights and EUR 9 million in cash from the joint venture Saxo Geely Tech Holding A/S.

The mortgage loan of DKK 252 million admitted for financing the Saxo Bank domicile property through the subsidiary

Ejendomsselskabet bygning 119 A/S was repaid in September 2020 and the associated interest swap of DKK 53 million was unwinded hence the hedging reserve in equity was dissolved. The mortgage loan was refinanced by a loan from Saxo Bank A/S which principal constitutes DKK 300 million with a term period of 8 years.

Tier 1 capital of EUR 45 million and tier 2 subordinated debt of EUR 50 million were redeemed at first possible call date in February and April 2020, respectively.

Total shareholders' equity increased by 12% to DKK 6.9 billion as of 31 December 2020, compared to DKK 6.2 billion as of 31 December 2019. The Board of Directors propose a dividend of DKK 9.98 per share, in total DKK 750,802,131, to be distributed for the year 2020. Total shareholders' equity will remain at DKK 6.2 billion after distributed dividend.

The total capital ratio for the Saxo Bank Group marginally decreased to 32.6% as of December 2020 from 32.9% at the end of 2019, retaining a comfortable buffer compared to the capital requirement. After the dividend payout, the Group maintains a strong capitalisation with significant surplus levels towards the regulatory requirements.

Capital & Liquidity

Licensed in an EU member state, the Saxo Bank Group is required to fulfil the capital requirements set out in the CRD IV and CRR/CRR2 which are based on the principles set out in Basel III.

The ICAAP Report 2020 provides additional information regarding Saxo Bank A/S' and Saxo Bank Group's total capital, risk exposure amounts and capital requirements. The report is available at www.home.saxo/about-us/icaap-and-risk-reports.

As of 31 December 2020, the Saxo Bank Group continued to have a strong capital position with a comfortable buffer in line with regulatory requirements. An overview of the regulatory capital figures as of 31 December 2020 are presented below.

Total capital

	2020		2019	
	DKKm		DKKm	
Common equity tier 1 capital (CET1)	3,934	25.1%	3,640	21.6%
Total tier 1 capital	4,382	27.9%	4,423	26.3%
Total capital	5,122	32.6%	5,543	32.9%

As of 31 December 2020, Saxo Bank Group's Internal Capital Adequacy Assessment Process (ICAAP) resulted in a capital requirement of 13.7% of the risk exposure amount, equivalent to DKK 2.2 billion. As such the CET1 buffer was DKK 2.3 billion, equivalent to 14.8% of risk exposure amount.

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.

Capital buffer

	2020	2019	2018	2017
Total capital buffer	16.4%	19.2%	22.8%	11.4%

The total risk exposure amount of Saxo Bank Group was DKK 15.7 billion as of 31 December 2020.

Liquidity

As of 31 December 2020, Saxo Bank Group had a LCR ratio of 324.1% and Net Stable Funding Ratio (NSFR) of 367%, thereby fulfilling the regulatory and ILAAP requirements with at substantial margin. The LCR and NSFR for Saxo Bank A/S was assessed to 186% and 147%, respectively.

The unaudited Risk Report 2020 and the ICAAP Q4 2020 Report provides additional information regarding Saxo Bank A/S' and the Saxo Bank Group's Total Capital (including regulatory capital disclosures), risk exposure amounts and capital requirements. The unaudited Risk Report 2020 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/icaap-and-risk-reports.

The Supervisory Diamond

The Danish FSA applies a number of specific risk indicators and threshold values for Danish banks, known as Supervisory Diamond. Saxo Bank A/S' fulfilment of the Danish liquidity Supervisory Diamond requirement is disclosed below.

The liquidity measure for the Supervisory Diamond uses the LCR-ratio (Liquidity Coverage Ratio) but with three months forward looking approach rather than the 30 days outflow period in the regular LCR.

Supervisory Diamond (%)

// Saxo Bank A/S

	Limit value	2020	2019
Sum of large exposures	<175%	20.2%	23.1%
Lending growth	<20%	247.9%	-27.1%
Property exposure	<25%	50.1%	19.0%
Funding ratio	<1	0.0091	0.0028
Liquidity requirement ratio	>100%	173.9%	216.7%

Lending growth was 248% and property exposure was 50% in Saxo Bank A/S as of 31 December 2020 primarily due to the mortgage loan in Saxo Banks domicile property was refinanced by an intercompany loan of DKK 286 million from Saxo Bank A/S to the subsidiary Ejendomsselskabet Bygning 119 A/S. As collateral for the loan Saxo Bank A/S has mortgage deed in the domicile property. Total loans and receivables in Saxo Bank A/S amounted to DKK 304 million as 31 December 2020.

As of 31 December 2020, Saxo Bank A/S did not comply with lending growth and property exposure. As a consequence of this the Danish FSA has been informed of Saxo Bank exceeding the supervisory diamond's limit values.

Events after the reporting date

There have been no events that have materially affected the assessment of this Annual Report 2020 after the reporting date.

Financial outlook 2021

Due to the nature of Saxo Bank Group's activities, the forecast of trading related income is highly dependent on the volatility of currency and stock markets as well as interest rate levels.

Following the continued COVID-19 pandemic, volatility in financial markets has increased significantly leading to increased activity among the Saxo Bank Group's clients.

At present, the uncertainty related to the consequences of the continued outbreak of COVID-19 and the impact on volatility of the financial markets for 2021 is hard to predict and highly uncertain.

We foresee operating income for 2021 around or slightly below the level of 2020.

Saxo Bank Group continues its significant investment in scalability, technology and digitisation, while at the same time pursuing a strong and sustainable cost discipline. Furthermore, we continue to invest in developing and implementing our mainland China strategy. The operating cost for 2021 is subject to the successful execution of the integration plans for BinckBank N.V.

With that in mind and based on the result for 2020, Saxo Bank Group expects to end 2021 with a net profit in the range of DKK 500-800 million.

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 to ensure that risks are within 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 2020 at www.home.saxo/about-us/icaap-and-risk-reports.

Credit risk

Clients' margin trading exposures may lead to uncollateralised exposures in the event of an unexpected large price gap in one or several markets. In these instances, the collateral posted by clients may not fully offset sustained trading deficits, which may lead to losses if 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 positions in case of an adverse market movement.

Credit risk also occurs against Saxo Bank Group's brokers or market liquidity providers. These brokers are in general, major international banks. In addition, the Group is also exposed to Credit Risk when placing its surplus liquidity with other major banks or in investment grade bonds.

Market risk

The Saxo Bank Group is a market facilitator and has no significant proprietary position taking. Saxo Bank Group's client-based trading flow is executed and hedged automatically in order to minimise the intermediate market risk. However, some limited and mostly temporary risk can arise from client trading related to optimisation of the Group's hedging of these trades.

The Saxo Bank Group encounters market risk from the investment of client funds deposited in Saxo Bank. The deposited funds are primarily invested conservatively in central banks, short-term government or prime rated covered bonds.

Market risk exposures are monitored closely on an intraday basis.

Operational risk

Operational risk is characterised as the risk of loss due to inappropriate or inadequate or failed internal processes, people, system errors, or because of external events. A sound operational risk governance and framework are key in enabling the Saxo Bank Group to pursue its strategic goals, safeguard its interests, and protect its license to operate.

Business and IT infrastructure disruption

Saxo Bank Group is highly dependent on the continuous operation of its IT infrastructure. Therefore, system failures could impact the Group's services to its clients or critical internal business processes. Consequently, a system outage may have a financial and reputational impact on Saxo Bank Group.

In order to control and minimise this risk Saxo Bank Group has redundant data centers, business continuity plans and insurance programs in place that are regularly reviewed, challenged and tested to ensure continuing effectiveness and relevance.

Compliance risk

As 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 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 always in place.

> **Third party service providers**

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

Risks stemming from critical outsourcing arrangements are identified, assessed and monitored regularly to ensure that the risk exposure is within Saxo Bank Group's tolerance limits.

Liquidity and funding risk

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 including intraday liquidity management as well as long-term funding management. In order to mitigate liquidity risk, the Group monitors its liquidity position closely according to the defined Risk Appetite minimum levels of required liquidity. Saxo Bank Group furthermore has a very strong liquidity and funding position.

Integrating BinckBank

In 2020, Saxo Bank continued according to plan with the integration of BinckBank, following its acquisition in 2019, which added approximately DKK 214 billion in client assets, marking a significant milestone in the history of Saxo Bank. By gaining scale and reducing cost and complexity, Saxo Bank can continue its ambitious investments in the digital client experience and expand its product offering, delivering even more relevant and intuitive platforms and services.

Many Saxonians across different locations and departments have spent the majority of their time in 2020 on supporting the BinckBank integration. In March 2020, the introduction of digital on-boarding for private clients in BinckBank was the first major initiative where Saxo Bank delivered on its promise of providing clients with an even better experience while reducing cost and complexity. >



- > New clients can sign up digitally and via Saxo Bank technology, and leveraging domestic ID validation providers, be properly risk assessed, after which all the relevant information is automatically passed on to the BinckBank CRM system, Topline. As such, clients can be approved and accounts opened within minutes without human touch – a major improvement in the client’s experience. Only in cases requiring enhanced due diligence or if the standard process breaks processing time will be higher.

Platforms

In June, Saxo Bank announced the uplifting of the existing SaxoInvestor platform. This was a decision taken following user tests with BinckBank clients, which showed that the more simple page-by-page navigation in SaxoInvestor was much more in line with what the clients were used to. SaxoTraderGO was seen as more difficult to navigate with its richer offering of features, tools and content. In essence, the clients in the test preferred the simpler SaxoInvestor-like interface, but required the option to also trade more complex products such as turbos, warrants etc. This aligns with the positioning of the legacy BinckBank platform – being in between the more simple SaxoInvestor and SaxoTraderGO with its richer offering of tools, charts and instruments.

The enhanced SaxoInvestor also bridged the product gaps to offer more complex products such as SRDs and turbos, which was important as cash equities account for the biggest part of the revenue in France.

The first major uplift for the BinckBank clients in France is an improved mobile experience and the ability to switch seamlessly between devices. Current Saxo clients now get access to an even broader offering as they will now be able to trade turbos, warrants and SRDs – something that was

previously not part of Saxo Bank’s offering, but was integral to BinckBank’s offering.

Branding

With the migration of BinckBank France clients in November, operating under one brand is critical. BinckBank is a very strong brand that has been carefully built over the years, and Saxo Bank is committed to do everything possible to incorporate the current strengths of the BinckBank brand into the Saxo Bank brand. Some of the steps taken include fortifying the Saxo Bank brand with the strengths of the BinckBank brand through a comprehensive brand transition plan. This was followed by a cross-functional team under the Saxo Experience office (including marketing, design and communications) that looked into giving the Saxo Bank brand an uplift by incorporating elements of the BinckBank brand story into the Saxo Bank brand story.

Given the many similarities between the Saxo Bank and BinckBank brand, the outcome was satisfactory as the new brand direction found a balance between Saxo Bank’s cooler and professional tone with BinckBank’s warmer and more accessible tone. This is a very important step of the integration journey to fully operate as one world class business under the Saxo brand. By taking the best of Saxo Bank and BinckBank’s brand equity, the result is an overall brand uplift that culminated in the launch of a new Corporate Visual Identity in November, that is designed to be user-friendly, warm, dynamic and relatable.

Enhanced SaxoInvestor

The biggest milestone in the BinckBank integration was achieved in November with the successful migration of BinckBank France clients onto the Saxo Bank platform. It marks the beginning of leveraging the synergies from the integration.

The enhanced version of SaxoInvestor is significant as it can be rolled out to other offices globally and allows the Bank to truly become more relevant for more people. The BinckBank clients onboarded onto the new and enhanced platform in France will enjoy new features and personalization, some examples being customised product offering where each client can set their own preferences on what specific products they want to follow, personalised “My Markets section” where clients can list the stock exchanges and indices they want to follow, and relevant content and news in local language. From a platform experience perspective, client will get a fully mobile experience.

The higher level of personalisation in the enhanced SaxoInvestor not only gives clients a more tailored experience but also makes it easier to cross-sell new products relevant to them. Allowing each client to personalise their platform based on interests and asset classes is also an integral part of the offering when the enhanced SaxoInvestor is introduced to the wholesale partners.



Gearing up for growth in China

Following the announcement in December 2019, Saxo Bank announced a fintech joint venture with Geely to serve the Chinese market. This is a very significant milestone bringing unique commercial opportunities to Saxo Bank and deepening our cooperation with Geely.

In July, after 10 months of preparation and dialogue with the Shanghai government, Saxo Bank was given the green light to upgrade the status of our Shanghai office to the category of regional headquarter for the Greater China region. The Regional HQ (RHQ) status is usually only granted to very large multinational companies who have set up their regional offices in Shanghai and gone through a careful selective process. There are over 90,000 international companies in Shanghai, and less than 700 have received the RHQ status.

Being granted the RHQ status by the Shanghai government is not only an important recognition of Saxo Bank's business strength and its value to the Chinese financial industry, but also brings tangible benefits mainly in three ways:

- // Further enhance Saxo Bank's image and reputation among government stakeholders which in turn will help increase Saxo Bank's credibility in the market
- // Access to Green Lane – immigration and customs procedures will be simplified for Saxo Bank business travelers
- // Potential financial support from the government

- > This positive development follows an earlier announcement that the Geely/Saxo Fintech JV was set up in the megacity of Chongqing in southwest China in December 2020. The Shanghai office will continue to operate, with an upgraded status from the local government.

In October, the eIPO project became the first strategic initiative driven out of Greater China in close collaboration with HQ and teams in India and Singapore, and it was delivered within a very short period of time. The eIPO is significant for these reasons:

- // To seize business opportunities and become more relevant to the local market – Hong Kong and mainland China are equity driven markets, and IPO subscription service is a must-have brokerage offering in the region. By providing the eIPO service, Saxo Bank has achieved another milestone in closing the product gap with local competitors and become more relevant.
- // To use eIPO as an opportunity to scale up the business in Greater China (GC) region – eIPO would provide opportunities for cross-sell and help pave the way for the launch of Saxo Investor platform in Hong Kong in 2021.

Despite uncertainties caused by COVID-19 and sociopolitical issues, Hong Kong (HK) remains a top IPO market globally in 2020. According to PwC, Hong Kong's IPO market reached \$87.5b in H1 2020, outperforming last year by 22% YoY. KPMG also expects fundraising in the HK bourse to overtake last year's record and rank among the top exchanges globally by total proceeds at the end of 2020.

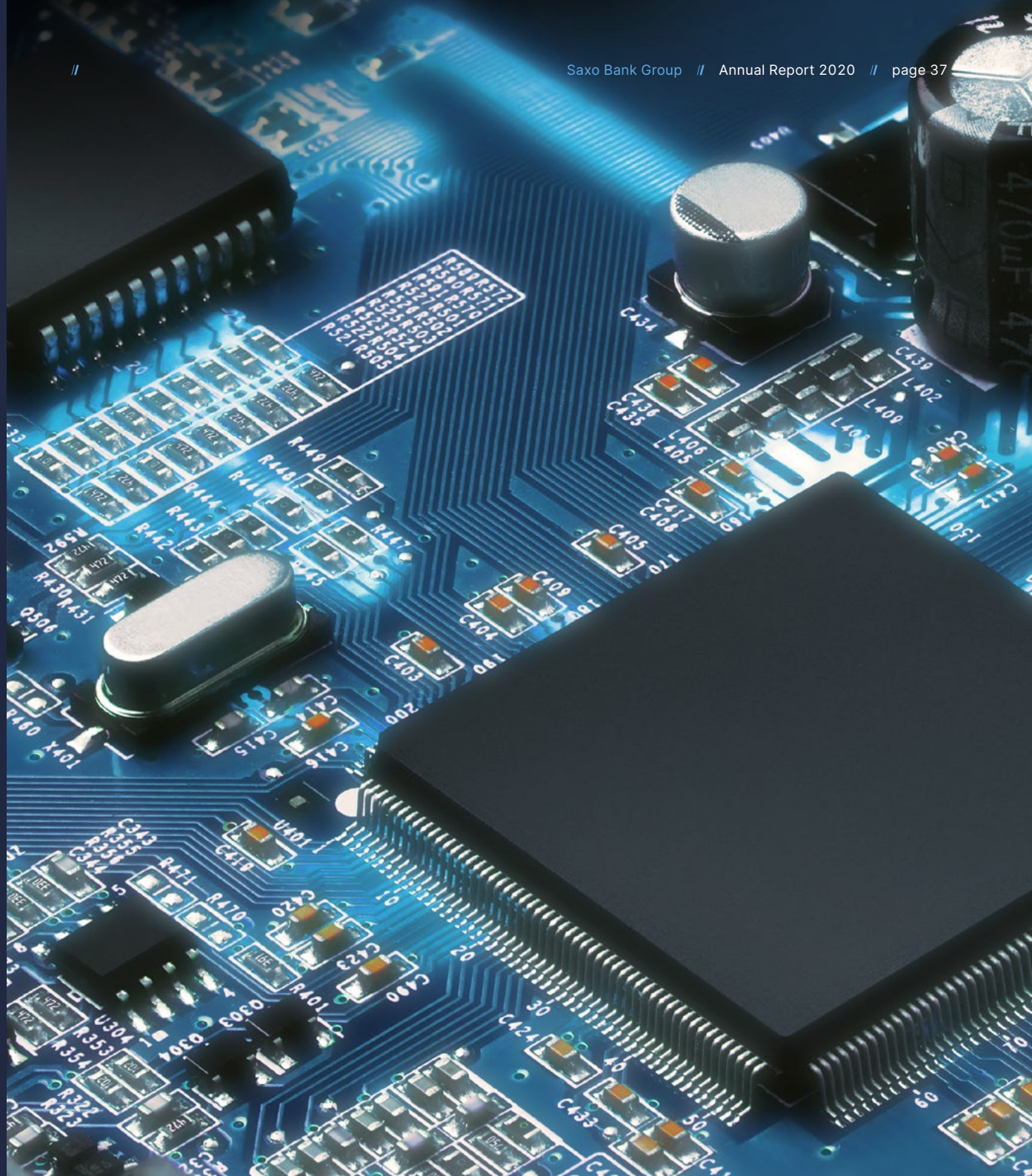
HK usually has 150-200 IPOs each year. The active IPO market is very attractive to both retail and institutional investors. In 2020, HK has seen a rush of secondary listings from Chinese companies including JD.com Inc. and Netease Inc. amid growing tension between the U.S. and China. Jack Ma's fintech giant Ant Group was planning a \$35 billion dual listing in HK and Shanghai. Even though the move was suspended due to regulatory scrutiny from Beijing, the successful delivery of Saxo Bank's eIPO offering still bear testament to the Group's potential in the region when local know-how and global expertise are combined.

According to **PwC**, Hong Kong's IPO market reached **\$87.5** b in H1 2020, outperforming last year by **22%** YoY.

The Saxo Bank Foundation

By leveraging the accelerating opportunities of technology, we continuously aim to improve the experience of navigating financial markets. By leveraging our independence, we continuously partner with the world's leading experts and banks to deliver best-in-class opportunities, insights and education. We will always invest in tomorrow as much as we invest in today to remain at the forefront of technology and finance, never to become extinct.

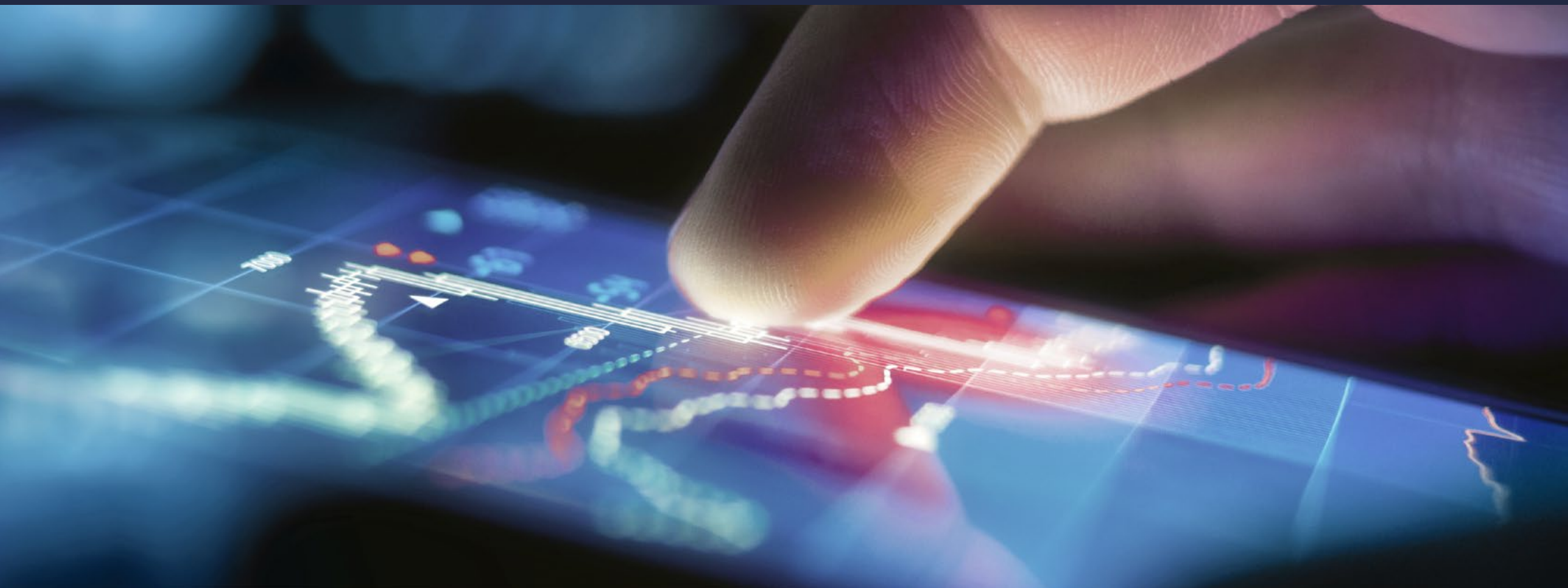
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Financial statements

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Income statement

DKK million	Note	2020	2019
Interest income calculated using the effective interest method	1.1	282	223
Other interest income	1.1	1,120	1,321
Interest expense	1.2	-313	-305
Net interest income		1,088	1,238
Fee and commission income	1.3	3,470	1,738
Fee and commission expense	1.4	-1,494	-1,002
Net interest, fees and commissions		3,064	1,974
Price and exchange rate adjustments	1.5	1,251	637
Operating income		4,316	2,611
Other income	1.6	8	716
Staff costs and administrative expenses	2	-2,708	-2,582
Depreciation, amortisation and impairment	4.4	-448	-612
Other expenses	2.6	-57	-14
Impairment charges loans and receivables	6.1.7	-24	-9
Result from joint ventures	8.2	-7	-0
Profit before tax		1,080	109
Tax	3	-329	-70
Net profit		750	40
Net profit attributable to:			
Shareholders of Saxo Bank A/S		708	3
Additional tier 1 capital holders		43	36
Non-controlling interests		-1	0
Net profit		750	40

Statement of comprehensive income

DKK million	Note	2020	2019
Net profit		750	40
Other comprehensive income			
Items that will not be reclassified to income statement:			
Remeasurement of defined benefit pension plans		4	-1
Tax	3.1.3	-1	0
Items that will not be reclassified to income statement		3	-1
Items that are or may be reclassified to income statement:			
Exchange rate adjustments		-113	81
Hedge of net investments in foreign entities	9.4	108	-58
Fair value adjustment of cash flow hedges:	9.4		
Effective portion of changes in fair value		-6	-3
Net amount transferred to income statement		8	6
Reclassification to income statement (cash flow hedge)	9.4	45	-
Other comprehensive income from joint ventures, net of tax		2	-
Tax	3.1.3	-35	12
Items that are or may be reclassified to income statement		9	39
Total other comprehensive income	5.4	12	38
Total comprehensive income		762	77
Total comprehensive income attributable to:			
Shareholders of Saxo Bank A/S		720	41
Additional tier 1 capital holders		43	36
Non-controlling interests		-1	0
Total comprehensive income		762	77

Statement of financial position

DKK million	Note	2020	2019
Assets			
Cash in hand and demand deposits with central banks	4.2	29,052	24,276
Receivables from credit institutions and central banks	4.2	5,932	6,478
Financial assets at fair value	4.1	30,627	25,484
Bonds at amortised cost	4.2	3,399	3,350
Loans and other receivables at amortised cost	4.3	4,811	9,883
Current tax assets		108	159
Investments in joint ventures	8.2	380	300
Intangible assets	4.4	2,756	2,516
Tangible assets	4.4	1,325	1,412
Deferred tax assets	3.2	33	37
Other assets	4.6	360	1,034
Total assets		78,784	74,930

DKK million	Note	2020	2019
Liabilities			
Debt to credit institutions and central banks		4,393	3,564
Financial liabilities at fair value	4.1	4,281	2,361
Deposits	4.7	60,197	59,311
Current tax liabilities		70	31
Other liabilities	4.8	1,039	942
Deferred tax liabilities	3.2	286	168
Provisions	4.9	342	332
Subordinated debt	5.3	776	1,140
Total liabilities		71,383	67,848
Equity			
Share capital	5.1	75	75
Reserves		1,271	1,257
Retained earnings		4,848	4,891
Proposed dividend		751	-
Equity, shareholders of Saxo Bank A/S		6,945	6,223
Additional tier 1 capital	5.2	452	798
Non-controlling interests		4	61
Total equity		7,401	7,082
Total liabilities and equity		78,784	74,930

Statement of changes in equity

DKK million	Note	Shareholders of Saxo Bank A/S											
		Share capital	Share premium reserve	Translation reserve	Hedging reserve	Revaluation reserve	Reserves	Retained earnings	Proposed dividend	Total	Additional tier 1 capital	Non-controlling interests	Total equity
2020													
Equity at 1 January		75	996	250	-36	47	1,257	4,891	-	6,223	798	61	7,082
Net profit		-	-	-	-	-	-	708	-	708	43	-1	750
Total other comprehensive income	5.4	-	-	-28	36	6	14	-2	-	12	-	-	12
Total comprehensive income		-	-	-28	36	6	14	706	-	720	43	-1	762
Transactions with owners													
Additional tier 1 capital ¹⁾	5.2	-	-	-	-	-	-	-1	-	-1	-336	-	-337
Tier 1 interest payment		-	-	-	-	-	-	-	-	-	-53	-	-53
Proposed dividend	5.1	-	-	-	-	-	-	-751	751	-	-	-	-
Share-based payments	2.4	-	-	-	-	-	-	4	-	4	-	-	4
Treasury shares	5.1	-	-	-	-	-	-	6	-	6	-	-	6
Transactions with non-controlling interests		-	-	-	-	-	-	-8	-	-8	-	-56	-64
Equity at 31 December		75	996	222	-0	53	1,271	4,848	751	6,945	452	4	7,401
2019													
Equity at 1 January		68	-	213	-38	50	225	4,913	-	5,206	346	-	5,552
Net profit		-	-	-	-	-	-	3	-	3	36	0	40
Total other comprehensive income	5.4	-	-	36	2	-3	36	2	-	38	-	-	38
Total comprehensive income		-	-	36	2	-3	36	5	-	41	36	0	77
Transactions with owners													
Increase in share capital	5.1	7	996	-	-	-	996	-	-	1,003	-	-	1,003
Additional tier 1 capital ¹⁾	5.2	-	-	-	-	-	-	-7	-	-7	448	-	441
Tier 1 interest payment		-	-	-	-	-	-	-	-	-	-33	-	-33
Share-based payments and repurchase	2.4	-	-	-	-	-	-	-24	-	-24	-	-	-24
Treasury shares	5.1	-	-	-	-	-	-	3	-	3	-	-	3
Transactions with non-controlling interests		-	-	-	-	-	-	0	-	0	-	61	61
Equity at 31 December		75	996	250	-36	47	1,257	4,891	-	6,223	798	61	7,082

¹⁾ Transaction costs of DKK 1 million (2019: DKK 7 million) are deducted in retained earnings.

Statement of capital

DKK million	Note	2020	2019
Tier 1 capital			
Equity 31 December		6,945	6,223
Common equity tier 1 capital from subsidiaries		-	35
Proposed dividend		-751	-
Hedging reserve		-	36
Intangible assets		-2,445	-2,612
Deferred tax liabilities, intangible assets		235	206
Deferred tax assets		-15	-220
Prudent valuation adjustments		-35	-28
Common equity tier 1 capital (net after deduction)		3,934	3,640
Additional tier 1 capital	5.2	448	783
Total tier 1 capital		4,382	4,423
Tier 2 capital			
Subordinated debt	5.3	740	1,120
Total tier 2 capital		740	1,120
Total capital		5,122	5,543
Risk exposure amounts			
Credit risk		5,270	6,787
Market risk		3,348	3,451
Operational risk		7,084	6,586
Total risk exposure amounts		15,702	16,823
Capital ratios			
Common equity tier 1 capital ratio		25.1%	21.6%
Tier 1 capital ratio		27.9%	26.3%
Total capital ratio		32.6%	32.9%

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 2020 provides further information on the assessment of the regulatory capital and is available at Saxo Bank Group's website www.home.saxo/about-us/icaap-and-risk-reports.

Cash flow statement

DKK million	Note	2020	2019
Cash flow from operating activities			
Profit before tax		1,080	109
Taxes paid		-295	-104
Non-cash operating items	7.1	477	-100
Changes in operating capital	7.2	4,456	12,942
Cash flow from operating activities		5,718	12,847
Cash flow from investing activities			
Divestment of businesses		-0	8
Acquisition of businesses	8.1	-	11,628
Investment in joint ventures	8.2	-	-38
Acquisition of intangible and tangible assets	4.4	-596	-505
Cash flow from investing activities		-596	11,094
Cash flow from financing activities			
Issuance of additional tier 1 capital, net of transaction costs	5.2	-	441
Repayment of additional tier 1 capital, net of transaction costs	5.2	-336	-
Paid interest on additional tier 1 capital	5.2	-53	-33
Issuance of subordinated debt, net of transaction costs	7.4	-	739
Repayment of subordinated debt, net of transaction costs	7.4	-373	-
Transactions with non-controlling interests		-71	-
Increase in share capital	5.1	-	1,003
Repayments on lease commitments		-65	-53
Share-based payments	2.4	-	-25
Treasury shares	5.1	6	3
Cash flow from financing activities		-892	2,076
Net increase/(decrease) in cash and cash equivalents		4,231	26,017
Cash and cash equivalents at 1 January		30,749	4,732
Cash and cash equivalents at 31 December	7.3	34,980	30,749

Operating income etc.

// Note 1

DKK million	Note	2020	2019
1.1 Interest income			
Credit institutions and central banks		41	108
Bonds at amortised cost		10	10
Loans and other receivables		231	104
Total interest income calculated using the effective interest method		282	223
Bonds at fair value		200	215
Derivative financial instruments		920	1,106
Total other interest income		1,120	1,321
Total interest income		1,402	1,543
Hereof interest received due to negative interest rates		35	11
1.2 Interest expense			
Credit institutions and central banks		-163	-75
Deposits		-30	-57
Subordinated debt		-58	-75
Interest expense leases		-10	-12
Total interest expense calculated using the effective interest method		-261	-219
Derivative financial instruments		-53	-86
Total other interest expense		-53	-86
Total interest expense		-313	-305
Hereof interest paid due to negative interest rate		133	50

DKK million	Note	2020	2019
1.3 Fee and commission income			
Trading with securities and derivative financial instruments		3,338	1,671
Asset management fees		59	25
Other fee and commission income		73	42
Total fee and commission income		3,470	1,738
1.4 Fee and commission expense			
Trading with securities and derivative financial instruments		-1,486	-996
Other fee and commission expense		-8	-6
Total fee and commission expense		-1,494	-1,002
1.5 Price and exchange rate adjustments			
Bonds at fair value		-203	-161
Securities		49	20
Foreign exchange		1,010	554
Derivative financial instruments ¹⁾		395	223
Total price and exchange rate adjustments		1,251	637
¹⁾ Other than foreign exchange.			
1.6 Other income			
Gain from disposal of intellectual property rights	8.2	-	638
Other		8	77
Total other income		8	716

Staff costs and administrative expenses etc.

// Note 2

DKK million	Note	2020	2019
2.1 Staff costs and administrative expenses			
Staff costs		-1,545	-1,372
Administrative expenses		-1,163	-1,210
Total staff costs and administrative expenses		-2,708	-2,582
Staff costs			
Salaries		-1,563	-1,373
Share-based payments		-4	-2
Defined benefit pension plans		-7	-6
Defined contribution pension plans		-105	-93
Social security expenses and financial services employer tax		-174	-164
Staff costs transferred to software under development		308	265
Total staff costs		-1,545	-1,372
Number of full-time-equivalent staff (average)		2,134	2,224

Government grants

Government grants of DKK 6 million (2019: DKK 0 million) have been received due to economic uncertainty related to COVID-19. For further details see note 6.2 in Financial statements Saxo Bank A/S.

DKK million

2.2 Pension plans

Most of Saxo Bank Group's pension plans are defined contribution plans under which the Group pays contributions to independent insurance companies responsible for the pension obligation towards the employees. In these plans the Group has no legal or constructive obligation to pay further contributions irrespective of the funding by these insurance companies. Pension costs related to such plans are recognised as expenses when incurred.

Saxo Bank Group has entered into defined benefit pension plans in certain subsidiaries. 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.

	Note	2020	2019
Defined benefit pension plans			
Net obligations:			
Present value of defined benefit obligations		118	120
Fair value of plan assets		78	79
Total defined benefit pension plans, net obligations	4.8	39	41

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 5 million in contribution to defined benefit pension plans during 2021 (2020: DKK 5 million).

Staff costs and administrative expenses etc.

// Note 2

DKK million	Note	2020	2019
2.3 Remuneration of management and significant risk takers			
Remuneration to Board of Management			
Salaries and other remuneration		-39	-35
Defined contribution pension plans		-3	-4
Severance pay		-7	-
Share-based payments	2.4	-2	-
Total remuneration to Board of Management		-51	-39
Remuneration to Board of Management			
Kim Fournais		-22	-17
Søren Kyhl		-13	-9
Steen Blaafalk		-8	-6
Damian Bunce - resigned 7 February 2020		-7	-7
Total remuneration to Board of Management		-51	-39
Remuneration to Board of Directors and paid Committee members			
Daniel Donghui Li (Chairman BoD)		-	-
Henrik Normann (BoD)		-2	-2
Yi Ian Zhang (BoD)		-1	-1
Patrick John Sture Lapveteläinen (BoD)		-1	-1
Preben Damgaard Nielsen (BoD)		-1	-1
Lars Andreasen (AC)		-0	-0
Total remuneration to Board of Directors and paid Committee members		-5	-5

In 2020 variable remuneration to Board of Management amounted to DKK 11 million (2019: DKK 0 million). The Group has no pension obligations towards Board of Management as their pension schemes are defined contribution plans.

The Board of Directors received fixed remuneration.

DKK million	Note	2020	2019
Remuneration to significant risk takers			
Number of significant risk takers (full-time-equivalents)		57	38
Fixed remuneration		-122	-76
Variable remuneration (including share-based payments)		-42	-9
Total remuneration to significant risk takers		-164	-85

In 2019, DKK 4 million of the variable remuneration for significant risk takers related to a retention bonus 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 scheme.

Saxo Bank Group's Remuneration Policy for 2020 provides further information about the remuneration of Board of Directors, Board of Management, and Significant Risk Takers and is available at Saxo Bank Group's website at www.home.saxo/about-us/investor-relations.

Staff costs and administrative expenses etc.

// Note 2

2.4 Share-based payments

In 2020 Saxo Bank A/S introduced a warrant scheme to retain employees on long-term basis and granted 2,807,765 warrants to employees and Board of Management in Saxo Bank Group. Each warrant gives a right to subscribe for one share of nominally DKK 1 against payment of an exercise price of DKK 210. The warrant scheme is equity settled.

Vesting of the warrants are conditional on the performance and capital requirements of Saxo Bank A/S and behavior, compliance with obligations and continued employment of the warrant holder. If one or more of the vesting conditions are not satisfied, the relevant part of the warrants will lapse without compensation. The warrant scheme entails a five-year vesting period and a six-month exercise period. Any remaining warrants forfeit automatically and without any compensation on expiry of the exercise period.

The value of employee services received in exchange for warrants granted corresponds to the fair value of the warrants at the date of grant. The fair value of the warrants granted is determined based on the Black & Scholes valuation model.

	Note	2020	2019
Key assumptions applied in the valuation of the warrants granted in 2020			
Share price (DKK)		145	-
Volatility		0.25	-
Risk-free interest rate		-0.82% to -0.70%	-
Exercise price (DKK)		210	-
Expected remaining life (years)		5.5	-

The estimated volatility is based on the historical volatility on the annualised volatility for relevant peer groups derived from the standard deviation of daily observations in a 1-year period adjusted for any unusual circumstances during the period.

>

Staff costs and administrative expenses etc.

// Note 2

> 2.4 Share-based payments

Warrants outstanding	Note	Number of warrants granted	Exercise period	Exercise price DKK	Expiry date	Fair value at grant date DKK million
Warrants granted in 2020		2,637,765	2025	210	2025	37
Warrants granted in 2020		170,000	2025-2026	210	2026	2
Total warrants outstanding		2,807,765				39

Number of warrants	Note	Average exercise price per warrant DKK	Board of Directors	Board of Management	Employees	Total
Outstanding at 1 January 2019		180	113,220	1,132,200	2,622,705	3,868,125
Repurchased		180	-113,220	-1,132,200	-2,622,705	-3,868,125
Number of warrants at 31 December 2019			-	-	-	-
Granted		210	-	137,765	2,670,000	2,807,765
Number of warrants at 31 December 2020			-	137,765	2,670,000	2,807,765
Fair value at grant date			-	2	37	39

Total costs recognised in 2020 as staff costs for services received in exchange of warrants granted amounted to DKK 4 million (2019: DKK 2 million).

Staff and administrative expenses etc.

// Note 2

DKK million	Note	2020	2019
2.5 Audit fees			
Audit firm appointed by the Annual General Meeting:			
Statutory audit of the consolidated and parent company financial statements		-5	-4
Other assurance engagements		-2	-2
Tax advisory services		-2	-1
Other services		-1	-1
Total audit fees		-10	-7
Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab for Saxo Bank Group covers various assurance reports, including report on business controls and IT security and other general accounting and tax advisory services.			
DKK million	Note	2020	2019
2.6 Other expenses			
Loss from disposal of mortgage portfolio		-15	-
Guarantee schemes		-42	-8
Other		-0	-6
Total other expenses		-57	-14

Tax

// Note 3

DKK million	Note	2020	2019
3.1 Income tax			
3.1.1 Effective tax rate			
Profit before tax		1,080	109
Tax using the Danish tax rate 22%		-237	-24
Effect of tax rates in foreign jurisdictions		-26	-5
Changes in deferred tax from change in tax rate		-62	-9
Impairment		-1	-0
Non tax-deductible expenses		-9	-46
Tax-exempt income and tax incentives		13	3
Non exempted withholding tax and other taxes		-3	-1
Tax on interest recognised directly in equity		-	8
Effect of tax of result from joint ventures		-2	-
Adjustments to tax previous years		-2	5
Total income tax recognised in income statement		-329	-70
Effective tax rate		30.5%	63.8%

Tax

// Note 3

DKK million	Note	2020			2019		
		Income statement	Other comprehensive income	Total comprehensive income	Income statement	Other comprehensive income	Total comprehensive income
3.1.2 Tax for the year							
Current tax		-295	-36	-331	-89	-1	-90
Changes in deferred tax for the year		33	-	33	24	13	37
Changes in deferred tax from change in tax rate		-62	-	-62	-9	-	-9
Non exempted withholding tax and other taxes		-3	-	-3	-1	-	-1
Adjustments to tax previous years		-2	-	-2	5	-	5
Total tax for the year		-329	-36	-365	-70	12	-58

3.1.3 Tax recognised in Other comprehensive income

		Recognised items before tax	Tax	Net of tax	Recognised items before tax	Tax	Net of tax
Exchange rate adjustments		-113	-	-113	81	-	81
Hedge of net investments in foreign entities		108	-24	85	-59	13	-46
Fair value adjustment of cash flow hedges		2	0	2	3	-1	2
Reclassification to income statement (cash flow hedges)		45	-11	34	-	-	-
Remeasurement of defined benefit pension plans		4	-1	3	-1	0	-1
Other comprehensive income from joint ventures, net of tax		2	-	2	-	-	-
Total tax recognised in Other comprehensive income	5.4	47	-36	12	24	12	37

Tax

// Note 3

DKK million	Note	2020	2019
3.2 Deferred tax assets and liabilities			
Deferred tax at 1 January, net		-130	-12
Additions from acquisitions		-	-148
Change in deferred tax for the year		33	37
Change in deferred tax from change in tax rate		-62	-9
Adjustments to tax previous years		4	1
Transfer of deferred tax to Investment in joint ventures		-96	-
Exchange rate adjustments		-1	1
Deferred tax at 31 December, net		-252	-130

	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Intangible assets	-	-	-235	-193
Tangible assets	15	20	-78	-75
Tax losses carried forward	15	220	-	-
Deferred income	-	-	-247	-247
Provisions	277	160	-	-16
Deferred tax	307	400	-560	-531
Offset	-274	-363	274	363
Deferred tax after offset	33	37	-286	-168

Deferred tax assets DKK 15 million (2019: DKK 220 million) arising from unused tax losses are recognised to the extent utilisation is probable based on business cases.

Statement of financial position

// Note 4

DKK million	Note	2020	2019
4.1 Financial assets and financial liabilities at fair value			
Listed bonds		25,070	20,803
Listed securities		-	122
Interest swaps (fair value hedge)	9.4	17	8
Investment securities		6	8
Derivative financial instruments with positive fair value		5,534	4,543
Total financial assets at fair value	4.2	30,627	25,484
Interest swaps (cash flow hedge)	9.4	-	56
Interest swaps (fair value hedge)	9.4	-	48
Financial liabilities designated at fair value		-	8
Derivative financial instruments with negative fair value		4,281	2,248
Total financial liabilities at fair value	4.2	4,281	2,361

Statement of financial position

// Note 4

DKK million	Note	2020			2019				
		Fair value through profit and loss	Amortised cost	Designated at fair value	Total carrying amount	Fair value through profit and loss	Amortised cost	Designated at fair value	Total carrying amount
4.2 Classification and measurement of financial instruments									
Financial assets									
Cash in hand and demand deposits with central banks	6.1.1	-	29,052	-	29,052	-	24,276	-	24,276
Receivables from credit institutions and central banks	6.1.1	-	5,932	-	5,932	-	6,478	-	6,478
Financial assets at fair value	6.1.1	30,621	-	6	30,627	25,476	-	8	25,484
Bonds at amortised cost	6.1.1	-	3,399	-	3,399	-	3,350	-	3,350
Convertible loan notes at fair value	6.1.1	331	-	-	331	894	-	-	894
Loans and other receivables at amortised cost	6.1.1	-	4,811	-	4,811	-	9,883	-	9,883
Financial liabilities									
Debt to credit institutions and central banks		-	4,393	-	4,393	-	3,564	-	3,564
Financial liabilities at fair value	6.1.5	4,281	-	-	4,281	2,352	-	8	2,360
Deposits		-	60,197	-	60,197	-	59,311	-	59,311
Subordinated debt	5.3	-	776	-	776	-	1,140	-	1,140

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Statement of financial position

// Note 4

DKK million	Note	2020					2019				
		Quoted market price Level 1	Observable input Level 2	Non- observable input Level 3	Total fair value	Total carrying amount	Quoted market price Level 1	Observable input Level 2	Non- observable input Level 3	Total fair value	Total carrying amount
4.2 Classification and measurement of financial instruments											
Financial assets											
Trading portfolio bonds	6.1.1	10,331	14,739	-	25,070	25,070	7,192	13,611	-	20,803	20,803
Listed securities		-	-	-	-	-	122	-	-	122	122
Derivative financial instruments with positive value	6.1.5	104	5,340	90	5,534	5,534	-	4,391	152	4,543	4,543
Bonds at amortised cost	6.1.1	-	3,433	-	3,433	3,399	-	3,349	-	3,349	3,350
Interest swaps	6.1.5	-	17	-	17	17	-	8	-	8	8
Loans and other receivables at amortised cost	6.1.1	-	-	4,834	4,834	4,811	-	-	9,722	9,722	9,883
Convertible loan notes at fair value	8.2	-	-	331	331	331	-	-	894	894	894
Investment securities		-	-	6	6	6	-	-	8	8	8
Financial liabilities											
Derivative financial instruments with negative value	6.1.5	-	4,281	0	4,281	4,281	-	2,352	-	2,352	2,352
Financial liabilities designated at fair value		-	-	-	-	-	8	-	-	8	8
Subordinated debt	5.3	-	-	788	788	776	-	-	1,180	1,180	1,140

Statement of financial position

// Note 4

DKK million	Note	2020	2019
4.2 Classification and measurement of financial instruments			
Financial instruments measured at the basis of non-observable input level 3			
Fair value at 1 January		1,054	156
Additions		-	898
Disposals		-623	-
Gains and losses recognised in income statement:			
Realised fair value adjustments		-0	0
Unrealised fair value adjustments		-3	-1
Total fair value at 31 December - level 3		428	1,054

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

Financial instruments (level 3) consist primarily of loan notes with conversion rights amounting DKK 331 million as at 31 December 2020 (31 December 2019: DKK 894 million). Loan notes with conversion rights is presented in the statement of financial position as part of Investment in joint ventures. Disclosures on the fair value are presented in note 8.2 Investments in joint ventures.

Financial instruments measured at fair value

Financial assets and liabilities traded in active markets for identical assets or liabilities are measured at fair value based on quoted market prices. Listed bonds and listed securities are measured based on quoted prices and classified as level 1.

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 major financial institutions. Valuation techniques used are different standard option pricing models. In most cases the valuation is substantially based on observable input, such as interbank quoted prices and implied volatility. If the elements of unobservable inputs constitute a significant part in the valuation of the financial assets or liabilities these are classified as level 3.

The fair value assessment of covered bonds, where quoted prices are not deemed an accurate market-based measurement, are based on a quote from the primary market maker and broker and hence classified as level 2.

Exchange traded products e.g. structured products, stocks, EFTs, futures, bonds are valued using interbank quoted prices, however differentiation of whether the market is active or not, is not assessed and due to this the instruments are classified as level 2.

For OTC derivatives e.g. CFDs and FX instruments quoted prices are not available, however the most significant input in the valuation is the quoted price for the underlying asset. Such derivatives are classified as level 2 as quoted prices are not available for identical products.

CFDs on Futures, CFD on Indices, FX Forwards and FX Options are measured based on industry standard valuation models and classified as level 2.

Convertible loan notes are measured at fair value based on estimation of expected future cash flows by using a discounted cash flow model and classified as level 3 due to unobservable input in the valuation.

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.

DKK million	Note	2020	2019
4.3 Loans and other receivables at amortised cost			
Mortgages collateralised by residential property		-	5,623
Collateralised loans		4,759	4,201
Other loans and receivables		6	0
Accrued interest		46	40
Total loans and other receivables at amortised cost before hedge		4,811	9,864
Fair value adjustment due to hedge accounting - mortgages	9.4	-	19
Total loans and other receivables at amortised cost	6.1.1	4,811	9,883

Statement of financial position

// Note 4

DKK million

	Note	Intangible assets						Tangible assets			
		Goodwill	Software under development	Software developed and purchased	Client relationships	Trademarks	Total	Land and Buildings	Other equipment, fixtures and fittings	Right-of-use assets	Total
2020											
Cost at 1 January		1,460	124	2,636	420	24	4,664	1,149	569	230	1,948
Additions		-	560	1	-	-	561	-	20	13	34
Transfer from internal development		-	-495	468	-	-	-27	-	27	-	27
Modifications		-	-	-	-	-	-	-	-0	-0	-0
Disposals		-36	-	-0	-4	-	-41	-	-8	-11	-20
Exchange rate adjustments		-2	-	-0	-2	-0	-4	-2	-8	-0	-10
Cost at 31 December		1,422	188	3,104	414	23	5,152	1,148	600	232	1,979
Amortisation, depreciation and impairment at 1 January		-187	-	-1,905	-50	-6	-2,148	-91	-401	-44	-536
Amortisation and depreciation		-	-	-246	-39	-15	-300	-27	-62	-58	-147
Impairment	4.5	-	-	-	-	-	-	-	0	-	0
Disposals		36	-	10	4	-	51	-	5	16	21
Exchange rate adjustments		-0	-	0	0	0	1	0	6	1	6
Amortisation, depreciation and impairment at 31 December		-150	-	-2,141	-85	-20	-2,396	-119	-451	-85	-655
Carrying amount at 31 December		1,272	188	964	329	3	2,756	1,029	148	147	1,324

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Statement of financial position

// Note 4

> DKK million

4.4 Intangible and tangible assets

	Note	Intangible assets						Tangible assets			
		Goodwill	Software under development	Software developed and purchased	Client relationships	Trademarks	Total	Land and Buildings	Other equipment, fixtures and fittings	Right-of-use assets	Total
2019											
Cost at 1 January		1,002	122	2,554	35	-	3,713	720	520	-	1,240
Recognition of right-of-use-assets		-	-	-	-	-	-	-	-	187	187
Restated cost at 1 January 2019		1,002	122	2,554	35	-	3,713	720	520	187	1,427
Additions		-	547	19	-	-	566	-	16	42	59
Additions from acquisitions	8.1	438	-	8	383	24	853	429	48	27	504
Transfer from internal development		-	-545	513	-	-	-32	-	32	-	32
Modifications		-	-	-	-	-	-	-	-	-4	-4
Disposals		-	-	-459	-	-	-459	-	-49	-23	-72
Exchange rate adjustments		21	-	1	2	0	23	0	3	0	3
Cost at 31 December		1,460	124	2,636	421	24	4,664	1,149	569	230	1,949
Amortisation, depreciation and impairment at 1 January		-86	-	-1,825	-32	-	-1,944	-73	-376	-	-449
Amortisation and depreciation		-	-	-272	-17	-6	-295	-18	-59	-45	-122
Impairment	4.5	-100	-	-86	-	-	-186	-	-6	-	-6
Disposals		-	-	278	-	-	278	-	41	1	42
Exchange rate adjustments		-	-	-0	-1	0	-1	-0	-1	0	-1
Amortisation, depreciation and impairment at 31 December		-186	-	-1,905	-50	-6	-2,148	-91	-401	-44	-536
Carrying amount at 31 December		1,274	124	731	370	18	2,516	1,058	168	187	1,413

Statement of financial position

// Note 4

DKK million

4.4 Intangible and tangible assets

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 the Group. Client relationships and trademarks mainly relates to the acquisition of BinckBank N.V. in 2019.

In 2020, Saxo Bank Group expensed DKK 24 million (2019: DKK 30 million) for development projects, primarily planning costs.

Tangible assets

The fair value of Saxo Bank Group's domicile properties 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 domicile property in Amsterdam was measured at fair value when acquiring BinckBank N.V. in 2019, determined by an independent valuer.

The value of domicile properties decreases with DKK 107 million (2019: DKK 118 million) if the rate of return increases with 0.5 percentage point.

Domicile properties	Copenhagen		Amsterdam	
	2020	2019	2020	2019
Carrying amount	624	635	405	423
Carrying amount if the domicile property were carried under the cost method	556	567	405	423
Rate of return in calculating the fair value of the domicile property	4.6%	5.1%	6.0%	6.0%

Right-of-use assets

Saxo Bank Group is the lessee in a number of operating leases, involving mainly leasing of office premises. The average lease term is 2 years (2019: 3 years). Lease expenses recognised in the income statement relating to leases of low value assets and short-term leases amounts to DKK 0 million (2019: DKK 5 million). For disclosure of the lease liabilities see note 4.8 Other liabilities.

4.5 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. For 2021 budget assumptions are applied, and for the year 2-5 revenue and costs are assumed to increase with a modest factor, unless a detailed and approved business plan has been prepared defining other expectations.

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 added a market risk premium for the respective countries in which the CGU is located. In case of e.g. new acquisition, specific local market conditions, high growth targets etc. a risk premium is added the discount rate. Despite the positive development in all entities risk premiums added have not been adjusted.

Statement of financial position

// Note 4

DKK million

4.5 Impairment test

Key assumptions applied in impairment test

	Note	Carrying amount goodwill	Forecast revenue growth (average)	Growth in terminal period	Post tax discount rate
2020					
BinckBank N.V.		435	0.5%	1.7%	10.1%
Saxo Bank (Schweiz) AG		280	0.5%	0.2%	7.5%
Nordic activities		247	1.0%	1.9%	8.5%
Saxo Capital Markets UK Ltd		139	1.0%	2.0%	6.9%
Other		170	-	-	-
Total		1,272			

	Note	Carrying amount goodwill	Forecast revenue growth (average)	Growth in terminal period	Post tax discount rate
2019					
BinckBank N.V.		437	-	-	-
Saxo Bank (Schweiz) AG		279	11.5%	0.3%	7.5%
Nordic activities		247	1.8%	1.4%	8.5%
Saxo Capital Markets UK Ltd		139	2.0%	2.1%	6.9%
Other		172	-	-	-
Total		1,274			

The carrying amount of other goodwill represents 13% (2019: 13%) of total goodwill. Other goodwill mainly relates to Group entities in France, India and Denmark. Discount rates between 6.9%-13.2% and a growth rate in the terminal period between 1.1%- 2.2% are applied in the impairment test for other goodwill.

Goodwill BinckBank N.V.

31 December 2019 the allocation of goodwill related to the acquisition of BinckBank N.V. was not completed and there were no indications of impairment. Based on the present and future integration of the business, including the assessment of which CGUs will benefit from the acquisition, the goodwill has in 2020 been fully allocated to the subsidiary BinckBank N.V.

DKK million

Impairment - test result

No impairment loss is recognised in 2020. In 2019 the impairment test resulted in recognition of impairment of DKK 100 million on goodwill relating to the investment in the subsidiary Saxo Bank (Schweiz) AG. During 2020 the revenue and net profit in Saxo Bank (Schweiz) AG has developed more positive than expected in the forecast for 2020.

Impairment - Intangible assets other than goodwill

In 2020 no impairment loss is recognised on other intangible assets. In 2019 impairment losses of DKK 86 million were recognised, related to number of investments in software due to change in future use and uncertainties related to future economic benefits.

	Note	2020	2019
4.6 Other assets			
Accrued commissions		56	85
Cash flows to be settled (mortgages)		-	73
Prepayments		191	190
Receivables related to joint ventures (loan note)	8.2	-	560
Other receivables		114	126
Total other assets		360	1,034

4.7 Deposits

	Note	2020	2019
Demand deposits, trading clients	9.3	59,203	57,743
Demand deposits, saving accounts		972	1,565
Pension funds		5	1
Accrued interests		17	2
Total deposits		60,197	59,311

Deposits on demand included DKK 2,962 million (2019: DKK 3,127 million) required by the Group as collateral for unrealised client trading positions as at 31 December.

Statement of financial position

// Note 4

DKK million	Note	2020	2019
4.8 Other liabilities			
Suppliers and other outstanding costs		311	372
Staff commitments		489	296
Lease liabilities		162	200
Defined benefit pension plans	2.2	39	41
Provision for guarantees	6.1.2	22	20
Other obligations		16	12
Total other liabilities		1,038	942
Lease liabilities maturity			
Within 1 year		46	52
From 1 to 5 years		81	99
Over 5 years		35	49
Total lease liabilities		162	200
When measuring the lease liability, an incremental borrowing rate to discount future lease payments between 1%-10% p.a. has been applied.			
4.9 Provisions			
Provisions at 1 January		332	177
Additions from acquisitions	8.1	-	40
Additional provisions recognised		113	133
Used during the year		-82	-13
Reversal of unused provisions		-23	-5
Total provisions at 31 December		342	332

Provisions comprise 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.

DKK million	Note	2020	2019
4.10 Assets deposited as collateral			
Financial assets deposited as collateral			
Cash in hand and demand deposits with central banks		315	66
Receivables from credit institutions and central banks		1,156	544
Bonds at fair value		6,747	2,347
Bonds at amortised cost		2,832	2,352
Other assets deposited as collateral			
Domicile property		-	366

In 2019 cash and domicile property were placed as collateral for an interest swap entered to hedge the mortgage debt. The swap and mortgage debt have been settled in 2020.

Receivables from credit institutions and central banks and bonds serve as collateral for the ongoing financial business with credit institutions. The actual demand for collateral varies from day to day in line with the fair value of the open positions against these credit institutions.

Bonds also serve as collateral for securities lending transactions with clients.

Statement of financial position

// Note 4

DKK million	Note	2020	2019
4.11 Contingent and other contractual commitments			
Guarantees			
Financial guarantees		36	34
Suretyship and other guarantees		4	15
Total guarantees, net of allowance		39	48
Loan commitments etc.			
Undrawn credit facilities (mortgage quotations issued)		-	1
Total loan commitments etc.		-	1
Other contractual commitments			
Other contractual commitments		224	173
Total other contractual commitments		224	173

Due to the business volume of Saxo Bank Group, disputes with clients may occur from time to time. The outcome of the cases pending are not considered to have material effect on the Group's financial position.

BinckBank N.V. has as part of an 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, 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.

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 into a Danish joint taxation with Geely Financials Denmark A/S. Geely Financials Denmark A/S is 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.

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.

Equity and subordinated debt

// Note 5

	Note	2020	2019
5.1 Shares			
Number of shares outstanding			
Shares issued at 1 January		75,207,449	68,283,943
Shares issued during the year		-	6,923,506
Total number of shares issued at 31 December		75,207,449	75,207,449
Holding of treasury shares		-	44,774
Total number of shares outstanding at 31 December		75,207,449	75,162,675

The share capital consists of shares with a nominal value of DKK 1 per share. All shares are issued and fully paid and have no special rights.

The Board of Directors proposes a dividend of DKK 9.98 per share (2019: DKK 0) and a total of DKK 750,802,131 (2019: DKK 0) for Saxo Bank A/S.

In 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 7 million and DKK 996 million recognised as share premium within equity.

Treasury shares	Number of shares	Nominal value DKK	Percentage of issued shares	Sales/ purchase price DKK thousand
At 1 January 2019	67,706	67,706	0.10%	-
Purchased/(sold)	-22,932	-22,932	-0.03%	-3,325
Treasury shares at 31 December 2019	44,774	44,774	0.07%	-
Purchased/(sold)	-44,774	-44,774	-0.07%	-6,486
Total treasury shares at 31 December 2020	-	-	0.00%	-

Equity and subordinated debt

// Note 5

DKK million

5.2 Additional tier 1 capital

Saxo Bank A/S has issued additional tier 1 capital. The Additional tier 1 capital notes are perpetual securities and have no fixed date for redemption. Issue of additional tier 1 capital is classified as an equity instrument, and equity increased at the time of issue by the net proceeds received. Interest paid to the additional tier 1 capital 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.

Saxo Bank A/S may, at its sole discretion, omit interest and principal payments to additional tier 1 capital 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 at the reporting date are disclosed in statement of capital for Saxo Bank Group and Saxo Bank A/S.

Equity accounted additional tier 1 capital translated into DKK at the applicable exchange rates at 31 December 2020 amounts to DKK 448 million (2019: DKK 785 million).

Subject to approval by the Danish FSA notes with nominal value of EUR 60 million can be optionally redeemed on the first call date 26 May 2025 or on any interest payment date hereafter at a redemption price of 100. The additional tier 1 capital notes constitutes tier 1 capital under CRR. The notes issued in 2014 with a nominal value of EUR 45 million were redeemed on first call date in February 2020.

Currency	Nominal value	Year of issue	Borrower	Maturity	Interest	Rate	Years	2020	2019
EUR	45	2014	Saxo Bank A/S	Perpetual	Fixed	9.750%	5.25	-	335
EUR	60	2019	Saxo Bank A/S	Perpetual	Fixed ¹⁾	8.125%	5.50	448	448
Accrued interest on additional tier 1 capital								4	15
Total additional tier 1 capital								452	798

¹⁾ 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 and subordinated debt

// Note 5

DKK million

5.3 Subordinated debt

Saxo Bank A/S has issued subordinated debt. 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.

Subject to approval by the Danish FSA subordinated debt with a nominal value of EUR 100 million can be optionally redeemed from 3 July 2024 at a redemption price of 100. The tier 2 notes are eligible to constitute tier 2 capital under CRR. Transaction costs related to the issue in 2019 amounted DKK 2 million. Subordinated tier 2 notes issued in 2015 with a nominal value of EUR 50 million were redeemed on first call date in April 2020.

Currency	Nominal value	Year of issue	Borrower	Maturity	Interest	Margin first period		Margin second period		Margin third period		2020	2019
						Rate	Years	Rate	Years	Rate	Years		
EUR	50	2015	Saxo Bank A/S	14.04.2025	Fixed/ EURIBOR	14.40%	0.25	12.00%	4.75	12.30%	5.00	-	371
EUR	100	2019	Saxo Bank A/S	03.07.2029	Fixed/ EUR mid swap rate	5.50%	5.00	EUR mid swap rate + 5.7115%	5.00	-	-	739	741
Accrued interest on subordinated debt												20	20
Fair value adjustment due to hedge accounting ¹⁾												17	8
Total subordinated debt												776	1,140

¹⁾ See note 9.4 Hedge accounting

Equity and subordinated debt

// Note 5

DKK million

5.4 Total Other comprehensive income recognised in equity

Other comprehensive income	Note	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total
2020						
Exchange rate adjustments		-113	-	-	-	-113
Hedge of net investments in foreign entities	9.4	108	-	-	-	108
Fair value adjustment of cash flow hedges	9.4	-	2	-	-	2
Reclassification to income statement (cash flow hedge)	9.4	-	45	-	-	45
Revaluation of domicile properties		-	-	8	-8	-
Remeasurement of defined benefit plans		-	-	-	4	4
Other comprehensive income from joint ventures, net of tax		-	-	-	2	2
Other equity movements		-	-	-	-0	-0
Tax		-24	-11	-2	1	-36
Total Other comprehensive income		-28	36	6	-2	12
2019						
Exchange rate adjustments		81	-	-	-	81
Hedge of net investments in foreign entities	9.4	-58	-	-	-	-58
Fair value adjustment of cash flow hedges	9.4	-	3	-	-	3
Revaluation of domicile properties		-	-	-3	3	-
Remeasurement of defined benefit plans		-	-	-	-1	-1
Tax		13	-1	1	-0	12
Total Other comprehensive income		36	2	-3	2	38

Risk Management

// Note 6

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 the 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 is exposed to risks, which can be categorised as follows:

// Credit risk:

The risk that a borrower or counterparty 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:

Operational risk is defined as the risk of losses due to inappropriate or inadequate internal procedures, human errors and system errors or as a result of external events.

// 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 the Group's cost of funding rises to disproportionate levels or in worst case prevents the Group from continuing as a going concern under its current business model. Finally, the risk that Saxo Bank Group does not comply with regulatory liquidity requirements.

// Business risk:

Business risk is defined as the possibility of inadequate returns caused by either external or internal factors that may affect the Group's earnings volatility, profitability and ability to generate predictable returns.

The Board of Management and the Board of Directors are informed about 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 2020 provides additional information about Saxo Bank Group's risk management approach. Risk Report 2020 is available at www.home.saxo/about-us/icaap-and-risk-reports.

6.1 Credit risk

Credit risk is defined as the risk that a borrower or counterparty fail 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 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.

The Saxo Bank Group is exposed to credit risk that derives from lending activities, credit risk related to derivatives, bonds and securities. The credit risk exposure consists of financial statement items and off-balance items that carry credit risk.

Lending activities

The credit risk on lending activities includes credit risk related to cash in hand and demand deposits with central banks, receivables from credit institutions and central banks and loans and other receivables at amortised cost. Lending activities also includes off-balance items related to guarantees and unutilised credit facilities.

Loans and other receivables are mainly loans issued to clients used to invest in securities. This lending can furthermore be used to cover margin requirements related to derivative positions. To the extent the securities act as collateral, the credit risk is managed by applying haircuts to the value of the securities to ensure that the clients positions in case of default can be liquidated without a loss. The quality and value of the underlying collateral is considered at the time of issue. The collateralised loans are continually monitored by an automated process using real time prices, considering the haircuts assigned to the individual securities. Haircuts may be adjusted without any prior notice at any time, in response to market movements or other factors. Collateralised loans are predominantly covering margin lending in The Netherlands.

Saxo Bank Group calculates and monitors clients margin requirements in real-time, and clients must always meet their margin requirement. In case of breach of margin requirements, a stop-out procedure is initiated. In case of extreme unexpected market price gaps, a negative balance may occur which is recognised as other receivables.

Saxo Bank Group is exposed to credit risk on off-balance items covering guarantees issued and to a minor extent unutilised facilities.

In 2019 and part of 2020 Saxo Bank Group was exposed to credit risk on mortgages. Through BinckBank N.V. the Group had mortgage receivables on Dutch residential mortgages. Collateral for mortgages comprised Dutch residential properties and guarantee under the Dutch National Mortgage Guarantee Scheme. The residual credit risk on top of the collateral was limited. The mortgage portfolio was fully disposed in 2020. Impact from the disposal is disclosed in note 2.6 Other expenses.

Credit risk, derivatives

Saxo Bank Group is exposed to credit risk related to financial assets measured at fair value. The positive market value of outstanding derivatives transactions comprises a credit risk in case the counterpart is not able to fulfil the transaction. The instruments cover financial derivatives like options, futures and forward contracts.

Bonds and securities

Saxo Bank Group is exposed to credit risk through bond holdings obtained as part of the liquidity management. The Board Risk Appetite Statement sets requirements for the credit quality of these bonds and accordingly only a smaller part of the bond portfolio can be placed in bonds that are rated lower than AAA Standard & Poors rating.

Risk Management

// Note 6

DKK million	Note	2020				2019			
		Lending activities	Credit risk, derivatives	Bonds and securities	Total	Lending activities	Credit risk, derivatives	Bonds and securities	Total
6.1.1 Credit risk exposure									
Statement of financial position item									
Cash in hand and demand deposits with central banks	6.1.4	29,055	-	-	29,055	24,280	-	-	24,280
Receivables from credit institutions and central banks	6.1.4	5,938	-	-	5,938	6,481	-	-	6,481
Financial assets at fair value	6.1.5, 6.1.6	-	5,551	25,070	30,621	-	4,559	20,925	25,484
Bonds at amortised cost	6.1.6	-	-	3,398	3,398	-	-	3,349	3,349
Loans and other receivables at amortised cost	6.1.3	4,828	-	-	4,828	9,900	-	-	9,900
Investment securities		-	-	6	6	-	-	8	8
Convertible loan notes at fair value	8.2	331	-	-	331	894	-	-	894
Impairment allowance	6.1.2	-24	-	-1	-25	-22	-	-0	-23
Total credit exposure in statement of financial position		40,127	5,551	28,473	74,152	41,532	4,559	24,282	70,373
Off-balance items									
Guarantees		62	-	-	62	68	-	-	68
Unutilised credit facilities	4.11	-	-	-	-	14	-	-	14
Impairment allowance	6.1.2	-22	-	-	-22	-20	-	-	-20
Credit exposure off-balance items		39	-	-	39	62	-	-	62
Total credit exposure net of impairment		40,167	5,551	28,473	74,191	41,594	4,559	24,282	70,435

Saxo Bank Group has a credit risk exposure of DKK 331 million (2019: DKK 894 million) related to convertible loan notes issued in 2019 to Saxo Geely Tech Holding A/S as consideration for disposed intellectual property rights. The convertible loan notes are presented as part of the investments in joint ventures and are not included in the subsequent disclosures for lending activities as it is not considered part of the Group's normal lending activities.

Risk Management

// Note 6

DKK million	2020					2019				
	Credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure	Credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
6.1.2 Credit risk - Lending activities										
Demand deposits with central banks	29,055	-3	29,052	-	29,052	24,280	-3	24,276	-	24,276
Receivables from credit institutions and central banks	5,938	-5	5,932	3,320	2,612	6,481	-3	6,478	3,320	3,158
Loans and other receivables at amortised cost:										
Mortgages collateralised by residential property	-	-	-	-	-	5,658	-15	5,642	5,642	-
Loans collateralised by securities	4,759	-	4,759	4,759	-	4,201	-	4,201	4,201	-
Other loans and receivables	23	-17	6	-	6	1	-1	0	-	0
Accrued interest loans	46	-	46	-	46	40	-	40	-	40
Guarantees and unutilised facilities	62	-22	39	3	36	82	-20	62	20	42
Total	39,882	-47	39,835	8,083	31,752	40,742	-42	40,700	13,184	27,516

Collateral values are net of haircuts and capped at exposure amounts.

Risk Management

// Note 6

DKK million Note **2020** **2019**

6.1.3 Credit risk - Loans and other receivables at amortised cost

Credit risk exposure broken down by sector and geography

Sector distribution:

Retail clients	2,108	7,459
Other businesses	2,743	2,486

Total	4,851	9,945
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Geographical distribution:

Denmark	40	170
The Netherlands	4,452	9,311
Other countries	359	464

Total	4,851	9,945
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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.

Securities received as collateral for the collateralised loans are subject to a haircut percentage of minimum 20% depending on the underlying type of security and the issuer. The collateral value covering securities has in the table below been reduced by the applied haircuts. The market movements are analysed daily, and the haircut percentages updated for all stocks at least once a month. In case of extreme price volatility this percentage is adjusted immediately. The Risk Appetite framework defines the maximum exposures accepted on the individual securities.

DKK million Note **2020** **2019**

Credit exposure net of impairment	4,851	9,945
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Collateral:

Listed securities (collateralised loans)	4,759	4,201
Residential property (mortgages)	-	3,680
Dutch National Mortgage Guarantee Scheme (NHG) (mortgages)	-	1,962
Other corporate tangible and intangible assets (Other loans and receivables)	3	20

Total collateral	4,763	9,863
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Total unsecured credit exposure lending activities	88	82
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Risk Management

// Note 6

DKK million Note 2020 2019

6.1.4 Credit risk - Credit institutions and central banks

Saxo Bank Group has defined the risk appetite on credit institutions and central banks by setting minimum rating requirements and by defining acceptable country specific criteria. Credit ratings are based on Standard & Poor's ratings.

Receivables from credit institutions and central banks can be withdrawn on-demand.

Receivables from credit institutions and central banks by credit rating category	Credit institutions	Central banks	Total	Credit institutions	Central banks	Total
AAA	-	26,783	26,783	-	23,818	23,818
AA	63	465	528	-	-	-
AA-	113	1,718	1,831	30	375	404
A-	4,436	-	4,436	2,764	-	2,764
BBB	16	85	101	-	-	-
BBB-	1,282	-	1,282	351	84	435
BB-	21	-	21	3,331	-	3,331
B	2	-	2	3	-	3
Total	5,932	29,052	34,985	6,478	24,276	30,755

Receivables from credit institutions and central banks by geography	Credit institutions	Central banks	Total	Credit institutions	Central banks	Total
Denmark	898	201	1,099	144	1,421	1,565
The Netherlands	32	23,440	23,472	1,551	19,799	21,349
Other Europe	3,552	5,411	8,963	4,121	3,057	7,178
Asia	1,089	-	1,089	374	-	374
Other	361	-	361	289	-	289
Total	5,932	29,052	34,985	6,478	24,276	30,755

Receivables from central banks include mandatory reserve deposits of DKK 368 million (2019: DKK 397 million). The mandatory reserve deposits are not free for withdrawal.

No collateral is received for receivables from credit institutions at 31 December 2020 (2019: DKK 3,320 million).

Risk Management

// Note 6

DKK million	Note	2020			2019		
Commodity type		Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
6.1.5 Credit risk - Derivatives							
Currency contracts							
Forward/futures purchased		17,618	131	-332	18,030	66	-200
Forward/futures sold		24,509	245	-279	24,219	296	-156
Options purchased		19,992	39	-135	20,705	36	-112
Options written		18,674	130	-29	20,887	125	-41
Unsettled spot purchased		17,470	532	-222	19,414	798	-120
Unsettled spot sold		15,635	677	-48	19,604	662	-44
Interest rate contracts							
Forward/futures purchased		4,303	8	-8	9,706	23	-3
Forward/futures sold		4,282	9	-1	9,423	1	-27
Options purchased		8,710	1	-2	11,654	1	-4
Options written		8,343	2	-1	11,654	4	-1
Interest swaps		744	17	-	2,174	8	-104
Equity contracts							
Forward/futures purchased		24,225	620	-1,356	18,604	705	-623
Forward/futures sold		22,949	1,272	-118	17,684	971	-66
Options purchased		24,063	144	-1,099	15,134	1	-348
Options written		23,786	1,060	-0	15,130	348	-1
Commodity contracts							
Forward/futures purchased		2,697	9	-98	2,955	23	-67
Forward/futures sold		2,739	108	-6	2,977	69	-13
Options purchased		833	1	-17	1,823	1	-25
Options written		829	16	-0	1,823	25	-1
Other contracts							
Turbos		529	531	-529	395	388	-395
Total derivatives			5,551	-4,281		4,551	-2,353

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 credit risk exposure, but do not qualify for offsetting in the statement of financial position. The net credit risk exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 1,071 million (2019: DKK 517 million), see to note 9.3 Offsetting financial assets and liabilities. The net uncovered positive fair value generally represents credit risk exposures, which the Group has accepted within its policies and risk limits, either as a granted credit line for corporate and retail clients, an approved counterparty exposure risk for financial institutions or through a close out netting agreement which is not formally verified by a legal opinion. It should be noted that a significant portion of the mentioned exposure is held against different exchanges representing a limited credit risk.

Risk Management

// Note 6

DKK million	Note	2020			2019		
6.1.6 Credit risk - Bonds							
The following table provide an insight into various risk concentrations based on credit ratings and geography for bonds. Credit ratings are based on Standard & Poor's ratings. The portfolio of bonds is distributed on Danish mortgage bonds and government bonds in Europe and the United States. Saxo Bank Group has defined the type of bonds and the minimum rating requirements on the individual bonds in the risk appetite statements. The Group has low appetite for non-investment grade bonds.							
		Danish mortgage bonds	Government bonds	Total	Danish mortgage bonds	Government bonds	Total
Bond portfolio							
Bonds at fair value		14,739	10,249	24,987	13,798	6,907	20,705
Bonds at amortised cost		-	3,365	3,365	-	3,325	3,325
Accrued interest		-	-	116	-	-	122
Total		14,739	13,614	28,469	13,798	10,232	24,152
Bond portfolio by rating category							
AAA		9,658	1,800	11,457	8,762	2,432	11,194
AA+		5,081	4,989	10,070	4,849	3,319	8,168
AA		-	4,653	4,653	187	2,984	3,171
Other investment grade		-	2,173	2,173	-	1,497	1,497
Accrued interest		-	-	116	-	-	122
Total		14,739	13,614	28,469	13,798	10,232	24,152
Bond portfolio by geography							
Denmark		14,739	-	14,739	13,798	-	13,798
Europe other		-	7,890	7,890	-	6,046	6,046
USA		-	5,724	5,724	-	4,186	4,186
Accrued interest		-	-	116	-	-	122
Total		14,739	13,614	28,469	13,798	10,232	24,152

Risk Management

// Note 6

6.1.7 Credit risk - Expected credit loss

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 considers:

- // The deterioration of the credit risk of the counterparty compared at initial recognition
- // The Probability of Default (PD)
- // The Loss Given Default (LGD)
- // The Exposure At Default (EAD)

For the financial instruments measured at amortised cost, staging is applied to categorise the credit risk compared to the credit risk at initial recognition. Financial assets whose credit risk has not significantly deteriorated since initial recognition are classified as stage 1. Expected credit losses for these assets are based on the probability that the counterparty will be in default in a period of 1 year (12-months PD). For financial assets for which it is identified that the counterparty has a significant deterioration since initial recognition in credit risk are classified in stage 2 or stage 3. In these cases, the expected credit loss is determined based on the PD over the entire term of the asset (lifetime PD).

On transition from stage 1 to stage 2 and stage 3 respectively, a significant increase in the credit risk is identified based on the development in the borrower's deterioration of credit risk. The following events are indications of a significant deterioration compared to the determined credit risk on initial recognition of the asset:

- // The borrower is in arrear for more than 30 days or more than 90 days
- // Clients experiencing significant financial difficulties
- // Breach of contract by the client with Saxo Bank Group or with another creditor
- // Clients who are bankrupt or where there is a possibility of bankruptcy
- // Trading clients with negative account value following a stop-out

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

Definition of default:

- // The borrower is in arrear for more than 90 days
- // The borrower is not expected to be able to meet its obligations

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

The expected credit loss may be determined on both 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. 31 December 2020 no collective impairments are recognised.

The impairment principles on credit risk segments are as follows:

Demand deposits and receivables with credit institutions and central banks

Cash in hand, 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 calculated based on a 12-months PD (stage 1), unless the PD has significantly deteriorated since initial recognition. All credit exposures towards credit institutions and central banks are classified in stage 1.

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 credit risk lies in movements in value of the position and/or movement in the collateral received. Specific attention is given to undesirable concentrations in client portfolios and risk mitigating factors applies. A deficit arises when

the value of the collateral is insufficient to cover the collateralised loans and/or margin obligations. In case of a deficit the client is required to provide additional collateral, and if the client fails to do so the Group is entitled to wind down the positions. The impairment for expected credit loss on loans collateralised with securities is individually determined and when winding down the positions the loan is transferred to stage 3.

Bonds at amortised cost

Bonds at amortised cost are 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 if the credit risk has not deteriorated significantly since initial recognition the investments are classified in stage 1.

Non-performing loans

Saxo Bank Group holds a limited amount of non-performing loans. They are transferred to stage 3 exposures and subject to ongoing stresstest calculations.

>

Risk Management

// Note 6

DKK million	Note	2020				2019			
		Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
6.1.7 Credit risk - Expected credit loss									
Financial assets at amortised costs before provision									
Demand deposits with central banks		29,055	-	-	29,055	24,280	-	-	24,280
Receivables from credit institutions and central banks		5,938	-	-	5,938	6,481	-	-	6,481
Loans and other receivables at amortised cost		4,812	-	16	4,828	9,889	3	8	9,900
Bonds at amortised cost		3,400	-	-	3,400	3,350	-	-	3,350
Guarantees		4	-	58	62	16	-	54	69
Total		43,207	-	75	43,282	44,015	3	61	44,079
Impairment allowance									
Demand deposits with central banks		3	-	-	3	3	-	-	3
Receivables from credit institutions and central banks		5	-	-	5	3	-	-	3
Loans and other receivables at amortised cost		-	-	17	17	9	0	7	16
Bonds at amortised cost		1	-	-	1	0	-	-	0
Guarantees		-	-	22	22	-	-	20	20
Total		8	-	39	48	15	0	27	42

Risk Management

// Note 6

DKK million

6.1.7 Credit risk - expected credit loss

Consolidated impairment allowance for financial assets at amortised cost and guarantees

2020	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment allowance 1 January	15	0	27	43
Disposal of mortgages portfolio	-13	-0	-5	-18
Increases due to redemptions and acquisition	-	-	-3	-3
Changes due to change in credit risk (net)	6	0	20	26
Impairment allowance 31 December	8	-0	39	48
2019				
Impairment allowance 1 January	2	-	22	24
Decreases due to disposal of mortgages	-0	-	-0	-1
Increases due to origination and acquisition	10	-	-	10
Changes due to change in credit risk (net)	3	-	6	9
Changes due to modifications with derecognition (net)	-	-	-0	-0
Impairment allowance 31 December	15	-	27	43

DKK million

6.1.8 Securities lending

Saxo Bank Group offers securities lending primarily to clients in The Netherlands.

The table lists the payables to clients lending their securities and the receivables relating to the third party who is borrowing the clients securities. Neither the receivable or the payable is recognised in statement of financial position as the ownership and control of the securities remain with the client and the Group acts as an intermediary between the client and the third party.

The Group receives securities as collateral from the third party (collateral received) and is obliged to provide securities as collateral to the clients for the securities that they have lent out (collateral pledged). The Group either provides the same securities as received or own securities as collateral to the client.

Note	2020	2019
Receivables in respect of securities lending (third party)	635	530
Collateral received	679	552
Liabilities in respect of securities lending (clients)	635	502
Collateral pledged	669	528

6.2 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 risk exposures can be grouped into the following two main categories:

// Market risk exposures arising from the accumulation, matching and optimisation of hedges within Trading & Market Access (TMA). TMA is supporting the Group's online trading and investment services. Market risk exposures arise when clients' trading activities are not fully hedged on a back-to-back basis.

// Investments related market risk exposures in Group Treasury (GT). GT invests the Group's liquidity buffer with respect to risk appetite and return of yield. Liquidity buffer mainly consists of client deposits and to some extent the liquid part of the Group's equity. This GT portfolio is to be composed to constitute the main part of the Group's Liquidity Buffer.

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 the Group, including the Board of Directors.

The overall Board policies and limits are supplemented by 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.

Risk Management

// Note 6

> Management, monitoring and reporting

The market risk is quantified and monitored against exposure limits set by the Board of Directors. Exposure limit utilisations are monitored on a continuous basis and are evaluated on an end-of-day basis by an independent second line risk management function being responsible for monitoring and reporting. Exposure limits are 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 for trading related activities on a net and 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.

6.2.1 Interest rate risk

Interest rate risk is the risk of loss on positions in interest rate sensitive instruments caused by changes in interest rates – most distinct types of interest rate sensitive instruments are bonds but also interest rate futures, derivatives and term deposits. The primary risk exposures in this portfolio are towards market risks, i.e. interest rate and credit spread risk.

Positions in interest rate instruments are categorised as either being subject to the trading book or being subject to the banking book. The interest rate risk in the trading book versus the banking book is different in nature. Assets held by the Group under the trading book are deemed to be available for sale and hence subject to fair value accounting and exposed to daily changes in mark-to-market. In contrast, assets held by the Group under the banking book are deemed to be held to maturity and hence subject amortised cost.

DKK million

Interest rate risk sensitivity

Trading book

All positions in the trading book are governed by the fair-value.

The interest rate risk in the trading book is managed by limiting both net and gross positions.

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

Interest rate risk - Trading book	2020		2019	
	+1%	-1%	+1%	-1%
Sensitivity				
Net	111	-111	93	-93
Gross	151	-151	116	-116

Banking book (IRRBB)

Saxo Bank Group's exposure to interest rate risk in the banking book portfolios originates mainly from investments and their management in BinckBank N.V. The risk management of the portfolio of banking book items in BinckBank N.V. is subject to applicable regulation and guidelines by the European Banking Authority (EBA).

Saxo Bank Group is subject to regulatory guidelines under the IRRBB framework and the interest rate risk is managed by adopting the Economic Value (EV) approach. The EV approach is calculated across all assets and liabilities in the banking book and assesses how changes in interest rates impact the economic value of the Group's economic value. The Group's total interest rate sensitivity within IRRBB (economic value-based measure) is measured as the change in the net present value of assets and liabilities to specific interest rate shocks and scenarios.

The table shows the change as a result of a parallel interest curve shift of one percentage point upwards and downwards including a regulatory floor to the yield curve and model for depositor's behaviour.

Interest rate risk - Banking book	2020		2019	
	+1%	-1%	+1%	-1%
Sensitivity				
Interest rate risk on bonds and loans included in the banking book	-186	124	-37	40

Disposal of mortgage portfolio in BinckBank N.V.

BinckBank's Dutch mortgage portfolio was disposed in Q4 2020. Simultaneous with the execution of the sale the portfolio of interest rate swaps (IRS's) - initially serving as a hedge for the mortgage portfolio and other assets - were unwound. At year-end the banking book portfolio consisted of an investment portfolio of government or government-guaranteed bonds and customers' deposits leading to a more simple composition of the banking book.

Risk Management

// Note 6

DKK million	Note	2020	2019		
6.2.2 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 as a result of positions in currency derivatives as currency options. The 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 all short foreign currency positions. The corresponding sensitivity is calculated by applying a loss-generating shift to the exchange rate of 1%.					
		Exposure Sensitivity (1%)	Exposure Sensitivity (1%)		
Long positions					
CNY		198	2 GBP	28	0
USD		69	1 JPY	22	0
CAD		17	0 NOK	9	0
PLN		6	0 CNH	8	0
NOK		4	0 CAD	8	0
Other		13	0 Other	9	0
Total long positions		307	3	84	1
Short positions					
EUR		213	2 EUR	60	1
JPY		33	0 PLN	18	0
SGD		27	0 SGD	8	0
INR		26	0 RUB	5	0
HKD		22	0 MXN	5	0
Other		69	1 Other	14	0
Total short positions		388	4	110	1
Total			7		2

6.2.3 Equity risk

Equity risk is the risk of losses due to changes in equity prices. The 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.

	Exposure Sensitivity (5%)	Exposure Sensitivity (5%)
Long	13	1
Short	7	0
Total	20	1

Risk Management

// Note 6

DKK million	Note	2020	2019		
6.2.4 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. The 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.					
Commodity type		Exposure Sensitivity (5%)		Exposure Sensitivity (5%)	
Brent Crude		0	0	1	0
Palladium		1	0	1	0
Light Sweet Crude Oil		0	0	0	0
Copper		0	0	0	0
Ultra Low Sulphur Heating Oil		0	0	0	0
Cocoa		0	0	0	0
Sugar		0	0	0	0
Soybeans		0	0	0	0
Live Cattle		0	0	0	0
Natural gas		0	0	0	0
CO2		0	0	0	0
Gasoline		0	0	0	0
Wheat		0	0	0	0
Corn		0	0	0	0
Coffee		0	0	0	0
Light Sweet Crude Oil		0	0	1	0
Platinum		1	0	1	0
Silver		19	1	4	0
Dutch Power		0	0	-	-
Lean Hogs		0	0	-	-
Low Sulphur Gasoil		0	0	-	-
Total gross		24	1	11	1

Risk Management

// Note 6

6.3 Operational risk

Operational risk is characterised as the risk of loss due to inappropriate or inadequate or failed internal processes, people, system errors, or as a result of external events. Operational risk includes legal, compliance, and model risk.

Operational risk considers direct financial losses as well as indirect financial impact through reputational damages from a specific event. This includes events with actual and near-miss financial losses as well as gains due to lack of, or failure of, a control.

Operational risk 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. The Operational Risk Committee has three sub-committees (Information Security Risk Committee, Vendor and Outsourcing Risk Committee and Product and Service Committee), which each oversee specific elements of the operational risk framework in more detail.

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 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

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 formal, internal risk assessment and approval processes. Particular focus is placed on the understanding of the Group's resilience to operational risk exposures that have 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 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.

6.4 Liquidity risk

Liquidity risk is defined as:

- // The risk that Saxo Bank Group does not have sufficient liquidity to fulfil its payment obligations as and when they fall due.
- // The risk that Saxo Bank Group's cost of funding rises to disproportionate levels or in worst case prevents the Group from continuing as a going concern under its current business model.
- // The risk that Saxo Bank Group does not comply with regulatory liquidity requirements.

Saxo Bank Group places clients' deposits in highly liquid assets to provide for a very strong actual liquidity base to support the primary operations of the Group, which is to facilitate trading and investment in financial markets for its clients. Saxo Bank Group does therefore not transform its

short term deposits into long term and illiquid loan commitments such as most other banks.

The primary liquidity risk of Saxo Bank Group is therefore also not a "bank run" as can be the case for a retail bank, but rather the risk of an adverse market movement (price gap) following which Saxo Bank Group will have to pledge collateral for negative values.

Management, monitoring and reporting

Managing daily liquidity in Saxo Bank Group means providing products (whether e.g. listed derivatives, OTC-derivatives, stocks, bonds or Exchange Traded Funds) to customers via the Group's trading platform. When trading these products with the Group's Brokers, the Group needs liquidity for the actual trading as well as for the placement of margin. Margin requirements cover initial margin when opening new positions and variation margin for negative values.

Due to Saxo Bank Group's very liquid position the handling of daily liquidity including intra-day liquidity can be accommodated by using liquidity from Saxo Bank Group's operational liquidity buffer or from e.g. selling bonds or by collateralising bonds in the Danish Central Bank.

To ensure that liquidity stays within the Boards defined limits reporting is carried out on a daily basis to the Board of Management including reporting on Daily Liquidity Coverage Ratio (LCR) for Saxo Bank A/S for total and significant currencies and on the Liquidity Buffer (bond portfolio and receiveables with central banks) for the Group. The Group's intra-day liquidity is monitored, managed and controlled on an ongoing basis by Group Treasury. The Board of Directors receive information on liquidity on a regular basis, at least monthly.

In note 9.2 the maturity of the financial liabilities is disclosed.

Regulatory requirements

Saxo Bank Group and 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 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 2020, Saxo Bank Group's reported LCR ratio was 324% (2019: 450%). The Group is highly liquid and holds a large portfolio of Level 1 and level 2 assets hereunder cash at central banks.

Risk Management

// Note 6

> 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.

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.

Funding requirements and assets encumbrance

CRD IV and CRR require the Saxo Bank 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, Saxo Bank Group is also required to monitor, report and disclose asset encumbrance.

Additional information on liquidity risk is disclosed in the unaudited Risk Report 2020 available at www.home.saxo/about-us/icaap-and-risk-reports.

[The Supervisory diamond is disclosed in the management report.](#)

6.5 Capital adequacy

Capital planning

Part of the Individual Capital Adequacy Assessment Process (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.

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 ICAAP in accordance with Danish guidelines, issued by the Danish FSA.

Saxo Bank A/S is required to fulfill 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.

According to the CRD IV directive Saxo Bank Group is required to hold a Capital Conservation Buffer and a Countercyclical Capital Buffer, commonly referred to as the Combined Buffers. The Capital Conservation Buffer constitutes a fixed level of 2.5% of Risk Exposure Amounts (REA). The Countercyclical Buffer in Denmark is set by the Systemic Risk Board. The maximum level of the buffer is 2.5% of REA.

In addition to the minimum regulatory capital requirement and combined buffers, from 2019 the Bank Recovery and Resolution Directive (BRRD) requires banks to meet a minimum requirement for own funds and eligible liabilities. In the period up to 1 July 2023 Saxo Bank Group must meet a MREL requirement of 5.5% of total REA and is phased-in over a five-year period:

28 December 2020	1.9% of REA
1 July 2021	3.1% of REA
1 July 2022	4.3% of REA
1 July 2023	5.5% of REA

Regulatory capital structure

Saxo Bank Group's Total Capital consists of Common Equity Tier 1 (CET1), Additional Tier 1 and Tier 2 capital instruments and is calculated in accordance with CRR.

The minimum capital requirements, defined as a percentage of REA, in CRR article 92 are:

4.5%	Common Equity Tier 1 capital
6%	Tier 1 capital ratio
8%	Total capital ratio

The statement of Capital for the Saxo Bank Group and for Saxo Bank A/S provides a specification of Total capital including Common Equity Tier 1 capital, Tier 1 capital, Tier 2 capital, and capital ratios. Note 5.3 in the consolidated financial statements provides a specification of subordinated debt.

Risk exposure amounts according to CRR

To calculate the minimum capital requirements, Pillar I, Saxo Bank A/S and Saxo Bank Group applies the following methods according to CRR to calculate the Risk Exposure Amounts (REA):

Credit risk	The Standard Methods
Market risk	The Standard Methods
Operational risk	Basic Indicator Method

Saxo Bank A/S and the Saxo Bank Group do 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 are for the Saxo Bank Group and for Saxo Bank A/S disclosed in Statement of capital.

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 2020.

The ICAAP Q4 2020 Report provides information on Saxo Bank A/S' and 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 2020, the Leverage Ratios were respectively 11.7% (2019: 12.5%) for Saxo Bank A/S and 5.9% (2019: 5.7%) for the Saxo Bank Group, with both entities being above the expected minimum requirement of 3.0% once implemented in 2021.

Additional information on capital is disclosed in the unaudited Risk Report 2020 available at www.home.saxo/about-us/icaap-and-risk-reports.

Cash flow statement

// Note 7

DKK million	Note	2020	2019
7.1 Non-cash operating items			
Result from joint ventures		7	0
Amortisation and impairment charges of intangible assets		300	481
Depreciation and impairment charges of tangible assets		148	131
Impairment charges loans and receivables etc.		24	9
Other non-cash operating items		-2	-721
Total non-cash operating items		477	-100
7.2 Changes in operating capital			
Receivables from credit institutions and central banks		1	1,179
Financial assets/liabilities at fair value		1,133	693
Loans and other receivables at amortised cost		5,019	332
Bonds at amortised cost		-4,329	4,764
Other assets		687	856
Debt to credit institutions and central banks		833	-1,093
Deposits		1,035	6,423
Provisions and other liabilities		77	-212
Total changes in operating capital		4,456	12,942
7.3 Cash and cash equivalents			
Cash in hand and demand deposits with central banks		29,052	24,276
Amounts due from credit institutions and central banks within three months		5,927	6,473
Cash and cash equivalents at 31 December		34,980	30,749
7.4 Liabilities arising from financing activities			
Cash and non-cash changes			
Subordinated debt at 1 January		1,140	370
Issuance of subordinated debt, net of transaction costs		-	739
Repayment of subordinated debt		-373	-
Fair value adjustment due to fair value hedge		9	8
Amortisation		2	11
Net interest on subordinated debt		0	10
Exchange rate adjustments		-1	1
Total subordinated debt at 31 December	5.3	776	1,140

Acquisitions and joint ventures

// Note 8

DKK million

8.1 Acquisition of businesses

No acquisitions have been completed in 2020.

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 was DKK 97 million (EUR 13 million). On acquisition of the remaining non-controlling interests the acquired net assets are not remeasured at fair value. The difference between the consideration paid and the share of total carrying amount including goodwill was recognised directly in equity.

BinckBank N.V. - acquired in 2019

In August 2019 Saxo Bank Group acquired BinckBank N.V. and achieved control of the entity by 98.01% ownership. BinckBank 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 was subsequently delisted. BinckBank's services are deployed from its headquarter in the Netherlands and its local branches in Belgium, France, and Italy. BinckBank 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. benefits 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 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.

BinckBank N.V. (98.01%)	2019
Cash in hand and demand deposits with central banks	14,741
Receivables from credit institutions and central banks	1,180
Financial assets at fair value	442
Bonds at amortised cost	6,990
Loans and other receivables at amortised cost	10,210
Intangible and tangible assets	920
Deferred tax assets	22
Other assets	820
Total assets	35,325

DKK million

BinckBank N.V.	2019
Debt to credit institutions and central banks	8
Financial liabilities at fair value	377
Deposits	31,351
Other liabilities	656
Deferred tax liabilities	170
Provisions	40
Total liabilities	32,603
Non-controlling interests	54
Acquired net assets, 98.01%	2,667
Fair value of total consideration transferred (Cash)	3,105
Goodwill arising from the acquisition	438
Movement in cash flows in connection with the acquisition	
Purchase price	-3,105
Hereof cash acquired	14,733
Net cash inflow in connection with the acquisition	11,628

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

Saxo Bank Group has incurred acquisition costs of DKK 66 million related to external legal fees and due diligence costs.

Acquisitions and joint ventures

// Note 8

DKK million

8.2 Investments in joint ventures

Saxo Bank A/S owns 50% of the shares in Saxo Geely Tech Holding A/S. The entity is a jointly controlled entity. The purpose with the entity is to hold shares in entities established to provide financial and regulatory technology solutions to financial institutions such as banks and fintechs in Mainland China. In 2020 Saxo Geely Tech Holding A/S has established a subsidiary in China, Saxo Financial Technology Company Limited (Saxo FinTech) by a cash contribution and a contribution in kind of intangible assets.

Summarised financial information for Saxo Geely Tech Holding Group

Income statement	Note	2020	2019
Operating expenses		-17	-0
Depreciation and amortisation		-0	-
Net financing costs		0	-
Profit before tax		-17	-0
Tax		2	-
Net profit		-14	-0
Other comprehensive income		-1	-
Total comprehensive income		-16	-0

DKK million

Note

2020

2019

Statement of financial position

Current assets:

Cash and cash equivalents	56	75
Assets held for sale	-	2,241
Other assets	8	-

Non-current assets:

Intangible assets	2,230	-
Tangible assets	1	-

Current liabilities:

Loan note	-	560
Other liabilities	4	0

Non-current liabilities:

Convertible loan note	1,116	1,681
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Total equity	1,175	75
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The amounts disclosed represents the 100% share of Saxo Geely Tech Holding Group. The Group was established in 2020.

Carrying amount of investments in joint ventures

50% share of the equity in the joint venture	588	37
Fair value of convertible loan notes	331	894
Intercompany elimination	-539	-631
Total investments in joint ventures	380	300

Saxo Bank A/S disposed in 2019 certain intellectual property rights to Saxo Geely Tech Holding A/S. The consideration for the transferred rights comprise of loan notes. One loan note of DKK 560 million was repaid in 2020 and presented in note 4.6 Other assets. In 2020 DKK 562 million was converted to new shares in the joint venture. The remaining loan notes are with conversion rights and presented as part of the investments in the joint venture. Under certain circumstances Saxo Bank A/S has an obligation to subscribe for new shares in Saxo Geely Tech Holding A/S by debt conversion of the convertible loan notes.

The convertible loan notes are in Saxo Bank Group 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%. Had a discount rate of 10% been applied 31 December 2020 a gain of DKK 63 million (2019: DKK 72 million) should have been recognised and had a discount rate of 20% been applied a loss of DKK 31 million (2019: DKK 45 million) should have been recognised.

Other disclosure requirements

// Note 9

DKK million	Note	2020	2019	
			< 1 year	> 1 year
9.1 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).				
			< 1 year	> 1 year
Assets				
Cash in hand and demand deposits with central banks		29,052	-	24,276
Receivables from credit institutions and central banks		5,932	-	6,478
Financial assets at fair value		25,662	4,964	19,667
Bonds at amortised cost		1,028	2,371	489
Loans and other receivables at amortised cost		4,811	-	4,372
Current tax assets		108	-	159
Investments in joint ventures		-	380	-
Intangible assets		300	2,456	383
Tangible assets		148	1,177	105
Deferred tax assets		-	33	-
Other assets		330	30	994
Liabilities				
Debt to credit institutions and central banks		4,393	-	3,319
Financial liabilities at fair value		3,426	854	1,915
Deposits		60,192	5	59,310
Current tax liabilities		70	-	31
Other liabilities		868	171	680
Deferred tax liabilities		-	286	-
Provisions		268	74	161
Subordinated debt		20	756	391

Other disclosure requirements

// Note 9

DKK million	Note	2020					2019						
		On demand	Within 3 months	From 3-12 months	From 1-5 years	More than 5 years	Total	On demand	Within 3 months	From 3-12 months	From 1-5 years	More than 5 years	Total
9.2 Maturity analysis of financial liabilities													
The maturity analysis is based on the earliest date the 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 recognised in the statement of financial position as it incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.													
Debt to credit institutions and central banks		4,393	-	-	-	-	4,393	3,291	11	33	172	187	3,693
Deposits		60,193	-	-	-	5	60,197	59,311	-	-	-	1	59,311
Financial liabilities designated at fair value		-	-	-	-	-	-	-	12	-	-	-	12
Subordinated debt		-	11	32	169	887	1,098	-	22	409	169	932	1,532
Total financial liabilities (non-derivatives)		64,586	11	32	169	892	65,688	62,602	45	442	341	1,120	64,548
Currency contracts		-	854	189	2	0	1,045	-	541	131	1	-	673
Interest rate contracts		-	6	5	0	-	12	-	27	5	5	104	141
Equity contracts		-	1,919	338	317	7	2,581	-	874	115	56	-	1,045
Commodity contracts		-	62	54	7	0	122	-	50	56	1	-	107
Turbos		-	-	-	-	521	521	-	-	-	-	383	383
Total financial liabilities (derivatives)		-	2,840	586	326	528	4,281	-	1,492	307	63	488	2,349
Guarantees		39	-	-	-	-	39	48	-	-	-	-	48
Loan commitments etc.		-	-	-	-	-	-	14	-	-	-	-	14
Total financial liabilities (other)		39	-	-	-	-	39	62	-	-	-	-	62
Total		64,626	2,851	618	495	1,420	70,008	62,664	1,537	748	404	1,608	66,959

Other disclosure requirements

// Note 9

DKK million

9.3 Offsetting financial assets and liabilities

	Note	Gross amount	Offsetting	Net carrying amount in the statement of financial position	Amounts not offset but subject to master netting agreements and similar agreements			Net amount
					Financial instruments	Cash collateral	Financial collateral	
2020								
Financial assets								
Derivatives financial instruments with positive fair value		5,551	-	5,551	-1,216	-3,152	-112	1,071
Total		5,551	-	5,551	-1,216	-3,152	-112	1,071
Financial liabilities								
Derivatives financial instruments with negative fair value		4,281	-	4,281	-1,216	-194	-92	2,780
Total		4,281	-	4,281	-1,216	-194	-92	2,780
2019								
Financial assets								
Derivatives financial instruments with positive fair value		4,543	-	4,543	-857	-3,131	-38	517
Total		4,543	-	4,543	-857	-3,131	-38	517
Financial liabilities								
Derivatives financial instruments with negative fair value		2,361	-	2,361	-857	-	-104	1,400
Total		2,361	-	2,361	-857	-	-104	1,400

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. Note 6.1.5 Credit risk - Derivatives provides more information on the derivatives and credit exposure.

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 4.10.

Other disclosure requirements

// Note 9

DKK million

9.4 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 the foreign exchange rate exposure arising from net investments excluding goodwill, 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. A hedge ratio of 1:1 is established 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.

	Note	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
2020						
Hedged exposure:						
Foreign exchange risk related to net Investment in foreign entities			5,238			-108
Hedging instruments:						
Foreign currency derivatives		-86	-86	Financial liabilities at fair value		10
Non-derivatives		-5,152	-5,152	Deposits	-4	100
2019						
Hedged exposure:						
Foreign exchange risk related to net Investment in foreign entities			4,947			59
Hedging instruments:						
Foreign currency derivatives		-64	-64	Financial liabilities at fair value		-0
Non-derivatives		-4,847	-4,847	Deposits	81	-60

An income of DKK 2 million (2019: loss of DKK 1 million) is recognised in Price and exchange 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.

Other disclosure requirements

// Note 9

DKK million

9.4 Hedge accounting

Fair value hedge - Tier 2 capital - interest rate risk

Saxo Bank Group uses interest rate swaps to manage the interest rate risk on the tier 2 capital issued in 2019. At 31 December interest swaps are in place with a notional amount of DKK 756 million (2019: DKK 749 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. The interest rate swap will expire July 2024.

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.

	Note	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
2020						
Hedged exposure:						
Tier 2 capital			-756	Subordinated debt	-17	-9
Hedging instruments:						
Interest rate swap	EUR 100 mio		17	Financial assets at fair value		9
Hedge ineffectiveness				Price and exchanges rate adjustments		-
2019						
Hedged exposure:						
Tier 2 capital			-749	Subordinated debt	-8	-8
Hedging instruments:						
Interest rate swap	EUR 100 mio		8	Financial assets at fair value		8
Hedge ineffectiveness				Price and exchanges rate adjustments		-

The hedge accounting items are the Tier 2 issuance of EUR 100m and an interest rate swap hedging the contractual cash flow. The interest rate swap is referencing Euro Interbank Offered Rate (EURIBOR). EURIBOR are compliant to the European Union (EU) Benchmark Regulation (BMR) and registered with European Securities and Markets Authority (ESMA) benchmark register, which enables European Union (EU) supervised entities to apply EURIBOR after the end of regulatory transition period. Further, Saxo Bank Group have adhered to the ISDA 2020 Fallback Protocol effective as of 25th January 2021 i.e., amendment and update of ISDA agreements and documents to market standard with provisions and fallback language on cessation of financial benchmarks. Saxo Bank Group are well prepared for the transition to alternative benchmark reference rates. The financial impact of hedge accounting in the event of cessation of benchmarks reference rates are insignificant.

Other disclosure requirements

// Note 9

DKK million

> 9.4 Hedge accounting

Fair value hedge - mortgage portfolio - interest rate risk

Saxo Bank Group disposed its mortgage portfolio during 2020 and the interest swap portfolio used to manage the interest risk has been unwinded. Interest swaps have until the disposal of the mortgage portfolio been used to manage part of the interest rate risk on the mortgage portfolio.

In 2020 was due to hedge ineffectiveness recognised a loss of DKK 9 million (2019: loss of DKK 1 million).

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

Ineffectiveness could 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.

	Note	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
2019						
Hedged exposure:						
Mortgage portfolio			1,140	Loans and other receivables at amortised cost	19	19
Hedging instruments:						
Interest rate swap		1,091	-48	Financial liabilities at fair value		-19
Hedge ineffectiveness				Price and exchanges rate adjustments		0

>

Other disclosure requirements

// Note 9

DKK million

> 9.4 Hedge accounting

Cash flow hedge - mortgage debt - interest rate risk

Saxo Bank Group has in 2020 repaid the mortgage debt for which cash flow hedge has been applied. Until the repayment of the debt an interest rate swap agreement was in place whereby a variable rate of interest was received and interests at a fixed rate paid on the notional amount. The exposure to variability in future cash flows due to changes in interest rates on the mortgage debt with a variable interest rate was hedged.

A hedge ratio of 1:1 was established as the terms of the interest swap matched the terms of the mortgage debt. To test the ineffectiveness, the hypothetical derivative method was used. Hedge ineffectiveness arised if the terms of the interest swap and the mortgage change inconsistently. No gain or loss due to ineffectiveness was recognised in the income statement in 2020 or 2019.

During 2020, losses of DKK 10 million (2019: DKK 12 million) relating to cash flow hedge were transferred from equity to profit and loss and are reflected in Interest expense.

At the time for the termination of the interest swap the amount, net of tax DKK 34 million recognised in the hedging reserve in equity has been reclassified to profit and loss as a reclassification adjustment.

	Note	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
2019						
Hedging instruments:						
Fixed interest swap		255	-56	Financial liabilities at fair value	36	-3

The impact on Other comprehensive income in Hedging reserve is disclosed in statement of changes in equity.

Other disclosure requirements

// Note 9

DKK million

9.5 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 the controlling influence in Saxo Bank A/S.

Geely Group Limited, British Virgin Island is the ultimate parent of the Saxo Bank Group.

At 31 December 2020, the following shareholders are registered as holders of more than 5% of the share capital of Saxo Bank A/S:

	2020	2019	2020	2019	2020	2019	2020	2019
	Board of Directors		Board of Management ¹⁾		Parties with controlling influence		Joint ventures ²⁾	
Geely Financials Denmark A/S	1609	Copenhagen	Denmark					
Fournais Holding A/S	2850	Nærum	Denmark					
Sampo Plc	00100	Helsinki	Finland					
Loan note	-	-	-	-	-	-	-	560
Convertible loan notes	-	-	-	-	-	-	331	894
Deposits (liabilities)	0	0	0	0	-	-	-	-
Other assets	-	-	-	-	0	-	2	-
Fees and commissions	0	0	0	0	-	-	-	-
Other services	-	-	-0	-1	0	0	7	-
Disposal of intellectual property rights	-	-	-	-	-	-	-	2,242
Capital increase (including conversion of convertible loan notes)	-	-	-	-	-	-	560	37

¹⁾ Board of Management includes parties being both part of the Board of Management and having significant influence

²⁾ See note 8.2 Investment in joint ventures for the obligation related to convertible loan notes

Remuneration to Board of Directors and Board of Management is disclosed in note 2.3 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.

9.6 Group entities

	Note	Local currency	Net profit	Equity	Ownership
Subsidiaries					
Financial institutions					
BG Saxo SIM S.p.A, Italy		EUR	-1	4	80%
Saxo Bank (Schweiz) AG, Switzerland		CHF	1	60	100%
Saxo Bank Securities Ltd., Japan		JPY	11	1,117	100%
Saxo Banque France SAS, France		EUR	0	10	100%
Saxo Capital Markets HK, Hong Kong		HKD	-6	125	100%
Saxo Capital Markets Pte. Ltd., Singapore		SGD	14	104	100%
Saxo Capital Markets Pty Ltd., Australia		AUD	2	26	100%
Saxo Capital Markets UK Ltd., UK		GBP	4	39	100%
BinckBank N.V., The Netherlands		EUR	16	420	100%
Other					
Saxo Far East (HK) Limited, Hong Kong		HKD	3	29	100%
Ejendomsselskabet bygning 119 A/S, Denmark		DKK	12	229	100%
Initto A/S, Denmark		DKK	0	26	100%
Saxo Group India Private Limited, India		INR	3	4	100%
Saxo Asgard Computer Technology (Shanghai) Co. Ltd., China Mainland		CNY	0	0	100%
Joint ventures					
Saxo Geely Tech Holding A/S, Denmark		EUR	-0	10	50%

Non-controlling interests of 19.9% relating to BG Saxo SIM S.p.A are not material.

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. The list includes significant subsidiaries.

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

9.7 Events after the reporting date

There has been no events that have materially affected the assessment of this Annual Report 2020 after the reporting date.

Key figures and ratios

Note 10

DKK million	2020	2019 ¹⁾	2018 ²⁾	2017	2016
10.1 Key figures and ratios					
Income statement					
Net interest, fees and commissions	3,064	1,974	1,997	1,940	1,530
Price and exchange rate adjustments	1,251	637	789	1,087	1,400
Staff costs and administrative expenses	-2,708	-2,582	-2,210	-2,151	-2,084
Impairment charges loans and receivables	-24	-9	-13	8	-97
Result from joint ventures	-7	-0	-	-	-
Profit before tax	1,080	109	1,029	554	418
Net profit	750	40	963	401	302
Statement of financial position					
Loans and other receivables at amortised cost	4,811	9,883	0	1,686	1,691
Deposits	60,197	59,311	21,370	27,811	27,930
Subordinated debt	776	1,140	370	351	529
Total equity	7,401	7,082	5,552	4,621	4,238
Total assets	78,784	74,930	34,484	39,956	43,579
Other					
Client assets	477,509	383,974	112,578	116,146	105,664
Number of full-time equivalent staff (end-of-year)	2,224	2,170	1,658	1,594	1,639
EBITDA					
Net profit before tax	1,080	109	1,029	554	418
Adjusted for:					
Depreciation, amortisation and impairments	448	612	312	306	351
Result from joint ventures	7	0	-	-	-
Interest expenses, non-core	78	100	67	72	76
EBITDA	1,612	822	1,408	932	845

¹⁾ Key figures and ratios are impacted by acquisition of BinckBank N.V. from August 2019.

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.

Key figures and ratios

Note 10

DKK million	2020	2019 ¹⁾	2018 ²⁾	2017	2016
> 10.1 Key figures and ratios					
Total capital ratio	32.6%	32.9%	35.0%	22.7%	19.5%
Tier 1 capital ratio	27.9%	26.3%	32.0%	20.4%	17.1%
Return on equity before tax	14.9%	1.7%	20.2%	12.5%	10.2%
Return on equity after tax	10.4%	0.6%	18.9%	9.1%	7.4%
Income/cost ratio	133.3%	103.4%	140.2%	122.3%	116.5%
Interest rate risk	-1.8%	1.3%	2.5%	4.1%	4.3%
Foreign exchange rate risk/Tier 1 capital	8.9%	5.5%	4.1%	13.8%	20.2%
Value at risk of foreign exchange rate risk/Tier 1 capital	0.0%	0.0%	0.0%	0.1%	0.0%
Loans and other receivables plus impairment charges/Deposits	8.1%	16.7%	0.1%	6.5%	6.8%
Loans and other receivables proportional to Total equity	0.65	1.40	0.00	0.36	0.40
Growth in loans and other receivables	-51.3%	>1,000%	-100.0%	-0.3%	-5.7%
Liquidity coverage ratio	324.1%	450.1%	264.4%	204.9%	159.7%
Sum of large exposures /CET1 capital ³⁾	22.3%	28.3%	10.1%	0.0%	0.0%
Loss and provisions ratio	0.5%	0.1%	15.3%	-0.3%	3.5%
Return on assets	1.0%	0.1%	2.8%	1.0%	0.7%

¹⁾ Key figures and ratios are impacted by acquisition of BinckBank N.V. from August 2019.

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.

³⁾ Change in computation of large exposures applied from 2018. Comparative figures are not restated.

Key figures and ratios

Note 10

10.2 Definitions of key figures and ratios

Definitions

EBITDA	Profit before tax, depreciation, amortisation and impairment, result 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	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.
Liquidity Coverage Ratio	Liquidity Coverage Ratio measures the amount of high quality liquid assets as a percentage of the net liquidity outflow.
Sum of large exposures/CET1 capital	Large exposures as a percentage of CET1 capital.
Loss and provisions ratio	Loss and provisions 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 calculated as full-time staff) at 31 December.

Basis of preparation

// Note 11

11.1 Significant accounting estimates and judgements

In preparing the consolidated financial statements, management makes various accounting estimates and judgements 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 reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove to be incomplete or incorrect. Uncertainty about these judgements and estimates could result in outcomes that require adjustments to the carrying amount of assets or liabilities in future periods.

Areas involving significant estimates and judgements:

- // 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 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

The majority of the valuation techniques used to fair value measurement of the financial instruments employ either quoted market prices, inter-bank quoted prices or valuation model substantially based on observable input and not subject to estimates. Measurement of financial assets for which no active market exists are subject to estimates.

Loan notes issued with certain conversion rights are measured at fair value based on estimates of expected future cash flow by using a discounted cash flow model which are subject to estimates.

Classification and measurement method of financial instruments within the fair value hierarchy are disclosed in note 4.2 Classifications and measurement of financial instruments and in note 8.2 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 expected credit loss is determined based on the probability that the counterpart will be in default within the next 12 months (stage 1). If the credit risk

has significantly increased the expected credit loss is determined based on the probability that the counterpart will default over the lifetime of the financial asset (stage 2 and 3). Determination of the impairment for expected credit losses imply use of judgement and estimates.

Note 6 Risk management provides details on credit exposure and expected credit losses at 31 December 2020.

Measurement of goodwill and other intangible assets

In a business combination identification and measurement of the fair value of especially intangible assets are subject to estimates and judgement. The existence of intangible assets is not evident and significant uncertainty exists on expected future 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 test requires estimation of future cash flows from acquired entities and a number of factors affect the value of such cash flows, including discount rate, expected long-term growth rate, capital requirements, economic development and other variables. No impairment loss related to goodwill is recognised in 2020 (2019: DKK 100 million).

Other intangible assets are tested if indications of impairment. Impairment test requires estimation of future cash flows from the intangible assets and a number of factors affect the value of such cash flows, including discount rate, expected useful life, economic development and other variables. No impairment loss related to other intangible assets is recognised in 2020 (2019: DKK 86 million).

Note 4.4 Intangible and tangible assets provide information on carrying amount of intangible assets and note 4.5 Impairment test provides information on assumptions applied in the impairment test.

Disposal of intellectual property rights

Saxo Bank A/S disposed in 2019 certain intellectual property rights. In the judgement of the accounting of the disposal, was considered, whether and when the buyer benefits from the intellectual property rights on its own independent of any other activities carried out by Saxo Bank A/S. It has been concluded that the intellectual property rights had a significant current functionality upon delivery and that the buyer benefits from that functionality upon the point-in-time where a binding contract was entered into between the parties, the intellectual property was delivered and the buyer had the right to use it. Based on this the disposal was recognised in 2019.

11.2 Accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements in the Danish FSA's executive

order on the application of IFRS by entities subject to the Danish Financial Business Act.

On 23 February 2021, the Board of Directors and Board of Management authorise the Annual Report for the financial year 2020 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 18 March 2021.

Standards and amendments applicable in EU from 1 January 2020 have been implemented. The following amendments to standards have been implemented 1 January 2020:

- // Amendments to IAS 1 and IAS 8: Definition of Material
- // Amendments to IFRS 3: Business Combinations
- // Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (Phase 1)
- // Amendments to References to the Conceptual Framework in IFRS Standards

Implementation of the amendments has not entailed changes to the accounting policies compared to those applied in the Annual Report for 2019.

Change in comparative figures

In note 4.2 Classification and measurement of financial instruments comparative figures for 2019 in the fair value hierarchy have been changed due to a review of the input data for the fair value measurement. Financial instruments previously classified as level 1 have been reclassified and presented as level 2. The most significant input in the valuation for the main part of the derivatives financial instruments reclassified from level 1 to level 2 is the quoted price for the underlying asset. The trading portfolio bonds reclassified from level 1 to level 2 are covered bonds for which fair value is based on a quote from the primary market maker and broker.

Certain other changes have been made to the comparative figures for 2019 due to reclassifications.

Basis of preparation

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency of Saxo Bank A/S. All amounts have been rounded to nearest DKK million, except otherwise stated. As a result, rounding discrepancies may occur because totals have been rounded off and the underlying decimals are not presented to financial statement users.

The consolidated financial statements of Saxo Bank A/S for the year ended 31 December 2020 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,

Basis of preparation

// Note 11

- which are measured at fair value: trading portfolio assets, securities, 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, the related assets (including goodwill), liabilities, non-controlling interest and other components of equity are derecognised. Any gain or loss is recognised in Other income and Other 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 9.6.

The consolidated financial statements are 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, intra-group income and expenses, shareholdings, intra-group balances, and realised and unrealised gains and losses on intra-group transactions are eliminated.

The non-controlling interest's share of the net profit/loss for the year and of the equity of subsidiaries, which are not wholly owned, are included in 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 control is obtained of the acquired entity. Businesses which are divested are recognised in the consolidated financial statements until the date control ceases.

Business combinations are accounted for using the acquisition method. The cost of a business combination comprises the fair value of the consideration agreed upon, including the fair value of consideration contingent on future events. The acquired entity's identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on fair value adjustments is recognised.

Any unallocated purchase price (positive amount) is recognised as goodwill and allocated to the Group's cash generating units.

The identifiable assets, liabilities and contingent liabilities on initial recognition at the acquisition date are subsequently adjusted up until 12 months after the acquisition, and the comparative figures are restated accordingly, if the amount is material. Thereafter no adjustments are made to goodwill, and changes in estimates of contingent consideration are recognised in Other income or Other expenses.

Goodwill and fair value adjustments in connection with the acquisition of an entity 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, it is elected 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.

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 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 disposed is recognised directly in equity attributable to the shareholders of Saxo Bank A/S.

Divestments

Gains or losses on the divestment or liquidation of subsidiaries are measured as the difference between the consideration received and the carrying amount of net assets (including goodwill) at the date of disposal or liquidation, foreign exchange adjustments recognised in translation

reserve in equity, and costs to sell or liquidation expenses. 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 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 in the statement of financial position.

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 by the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currencies 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 of entities with a functional currency other than the presentation currency (DKK), the income statement and cash flow statement are translated at the exchange rates at the transaction date, and the statement of financial position is translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date.

Foreign exchange adjustments arising on translation of the opening balance of equity (including goodwill), and of the income statement on the reporting date, are recognised in Other comprehensive income and presented in the Translation reserve in equity. Foreign exchange adjustments arising on the translation of the proportionate share of joint ventures are likewise recognised in Other comprehensive income and presented in the Translation reserve in equity.

Foreign exchange adjustment arising on translation of loans to foreign entities that are considered part of the investment in the entity is recog-

Basis of preparation

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> nised in Other comprehensive income and presented in the Translation reserve in equity.

On complete or partial disposal of a foreign entity the share of the cumulative amount of the exchange rate adjustments recognised in the translation reserve within equity relating to that foreign entity is reclassified and recognised in the income statement when the gain or loss on disposal is recognised.

Hedge accounting

Hedge of net investment

Changes in the fair value of a derivative or a non-derivative financial liability designated as the hedging instrument, when hedging a net investment in a foreign entity, are recognised in Other comprehensive income and presented in the Translation reserve in 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 in the translation reserve in 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 the hedging instrument in a fair value hedge are recognised in the income statement, together with changes in the fair value of the hedged asset or liability.

If the hedge no longer meets 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 in 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.

If the hedge is discontinued, and the hedged future cash flow are no longer expected to occur, the amount recognised in the hedging reserve is reclassified to the income statement.

Securities lending transactions

Clients' securities lending, through the Group, to a third party who is borrowing the clients securities is usually collateralised by securities. Neither the securities lent out, the receivable from third party or payable to clients are recognised in statement of financial position. The ownership and control of the securities remain with the client and the Group

acts as an intermediary between the client and the third party. The collateral received or pledged is not recognised respectively derecognised on the statement of financial position.

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 liabilities 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.

Government grants received as salary compensation are recognised as a deduction in staff costs.

Share-based payments

The Board of Management and employees have been granted warrants. The warrants are measured at fair value at the grant date and are recog-

nised 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 granted is measured using the Black & Scholes valuation model. The model considers 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 scheme 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.

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.

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.

>

Basis of preparation

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> **Level 2 – Observable input**
Valuation techniques based on input, other than quoted prices included within level 1, that are observable for the financial assets or liability, either directly or indirectly.

Level 3 – Non-observable input
Valuation techniques based on input that are unobservable. 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 may be 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.

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 represent 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 recognised 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.

Financial assets and financial liabilities are measured at fair value by applying the fair value hierarchy level 1, level 2 and level 3, see note 4.2.

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 are measured at amortised cost less expected credit loss.

Impairment on financial assets measured at amortised cost

Impairments for expected credit losses apply to financial assets recognised at amortised cost, loan commitments and financial guarantees.

The provision is determined based on 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.

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 note 6 Risk management.

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 to 12 month expected credit loss.

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 loss 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 a 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

Basis of preparation

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> 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.

Unrealised gains on transactions with joint ventures are eliminated in proportion to the Group's ownership share of the entities.

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

Intangible assets

Intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortisation and impairment losses.

Goodwill is not amortised. Trademarks and client relationships acquired in a business combination are recognised at fair value at the acquisition date and the cost is amortised on a straight-line basis over the estimated useful life of the assets.

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. 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 and the cost is amortised on a straight-line basis over the estimated useful life of the assets.

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

The expected useful life is as follows:

Trademarks with finite life	1-2 years
Client relationships	5-10 years
Software developed	3-5 years
Software purchased	3-5 years

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 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 taking account of the residual value.

Revaluations are made with regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. An increase in the carrying amount as a result of a revaluation is recognised in Other comprehensive income and presented in a separate revaluation reserve in 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 and subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

The expected useful life is as follows:

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

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 in the income statement.

Leases

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability, 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 impairment. 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 remeasurement is 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.

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 and obligations 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 expect-

Basis of preparation

// Note 11

> tations 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 outflow 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 intra-group gains 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.

Shareholders' equity

Share premium reserve

The share premium reserve 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 used to hedge Saxo Bank Group's net investment in foreign entities. The amount is net of tax.

Hedging reserve

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

Revaluation reserve

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

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.

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 the subsidiaries.

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.

11.3 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 2020:

- // IFRS 17: Insurance contracts
- // Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- // Amendments to IFRS 3: Business Combinations
- // Amendments to IAS 16: Property Plant and Equipment
- // Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- // Amendments to IFRS 4: Insurance Contracts
- // Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)
- // Annual Improvement projects 2018-2020
- // Amendments to IFRS 16: Leases Covid-19 related rent concessions

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.

The Saxo Bank Foundation

At Saxo Bank our conviction is that every great relationship is based on win-win. Whether with clients, partners or employees, we only win when they win. In the end, the value of money and accomplishments depends on how they are earned – and we do not compromise long-term progress for short term success.

www.home.saxo/foundation



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Financial statements

// Saxo Bank A/S

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Income statement

DKK million	Note	2020	2019
Interest income	1.1	1,065	1,292
Interest expense	1.2	-154	-237
Net interest income		911	1,055
Fee and commission income	1.3	2,078	1,288
Fee and commission expense	1.4	-2,184	-1,533
Net interest, fees and commissions		805	809
Price and exchange rate adjustments	1.5	1,248	617
Operating income		2,053	1,427
Other income	1.6	39	661
Staff costs and administrative expenses	2	-1,726	-1,699
Depreciation, amortisation and impairment	4.4	-286	-516
Other expenses		-4	-6
Impairment charges loans and receivables	4.2.1	-13	-4
Result from subsidiaries and joint ventures		775	183
Profit before tax		837	46
Tax	3.1	-86	-7
Net profit		751	39
Net profit attributable to:			
Equity method reserve		715	138
Additional tier 1 capital holders		43	36
Retained earnings		-758	-135
Dividend for the year		751	-
Net profit		751	39

Statement of comprehensive income

DKK million	Note	2020	2019
Net profit		751	39
Other comprehensive income			
Items that will not be reclassified to income statement:			
Other comprehensive income from subsidiaries, net of tax		3	-1
Items that will not be reclassified to income statement		3	-1
Items that are or may be reclassified to income statement:			
Exchange rate adjustments		-113	81
Hedge of net investments in foreign entities		108	-58
Other comprehensive income from subsidiaries, net of tax		35	2
Other comprehensive income from joint ventures, net of tax		2	-
Tax	3.1.3	-24	13
Items that are or may be reclassified to income statement		9	38
Total other comprehensive income		12	37
Total comprehensive income		763	77
Total comprehensive income attributable to			
Equity method reserve		727	175
Retained earnings		-7	-135
Additional tier 1 capital holders		43	36
Total comprehensive income		763	77

Statement of financial position

DKK million	Note	2020	2019
Assets			
Cash in hand and demand deposits with central banks		202	280
Receivables from credit institutions and central banks	4.1	6,282	5,416
Loans and other receivables at amortised cost	4.2	304	87
Bonds at fair value	4.3	24,623	19,874
Securities		6	8
Investments in subsidiaries	6.2	5,437	5,590
Investments in joint ventures	6.1	380	300
Intangible assets	4.4	2,514	1,727
Tangible assets	4.4	81	84
Tax receivables		77	64
Deferred tax assets	3.2	1	0
Other assets	4.5	5,417	4,830
Prepayments		92	73
Total assets		45,414	38,334

DKK million	Note	2020	2019
Liabilities			
Debt to credit institutions and central banks	4.6	7,241	4,236
Deposits	4.7	25,235	22,962
Tax liabilities		2	1
Other liabilities	4.8	4,308	2,712
Total debt		36,786	29,911
Deferred tax liabilities	3.2	162	17
Provision for guarantees		22	20
Other provisions		270	224
Total provisions		454	262
Subordinated debt	4.9	776	1,140
Equity			
Share capital	4.10	75	75
Share premium reserve		996	996
Equity method reserve		1,640	921
Retained earnings		3,483	4,231
Proposed dividend		751	-
Shareholders of Saxo Bank A/S		6,945	6,224
Additional tier 1 capital		452	798
Total equity		7,397	7,022
Total liabilities and equity		45,414	38,334

Statement of changes in equity

DKK million

	Note	Share capital	Share premium reserve	Equity method reserve	Retained earnings	Proposed dividend	Total	Additional tier 1 capital	Total
2020									
Equity at 1 January		75	996	921	4,232	-	6,224	798	7,022
Net profit		-	-	715	-7	-	708	43	751
Other comprehensive income									
Exchange rate adjustments		-	-	-113	-	-	-113	-	-113
Hedge of net investments in foreign entities		-	-	108	-	-	108	-	108
Other comprehensive income from subsidiaries, net of tax		-	-	38	-	-	38	-	38
Other comprehensive income from joint ventures, net of tax		-	-	2	-	-	2	-	2
Tax		-	-	-24	-	-	-24	-	-24
Total comprehensive income		-	-	727	-7	-	720	43	763
Transactions with owners									
Additional tier 1 capital ¹⁾		-	-	-	-1	-	-1	-336	-337
Tier 1 interest payments		-	-	-	-	-	-	-53	-53
Proposed dividend		-	-	-	-751	751	-	-	-
Share-based payments		-	-	0	4	-	4	-	4
Treasury shares		-	-	-	6	-	6	-	6
Other equity movements		-	-	-8	-	-	-8	-	-8
Equity at 31 december		75	996	1,640	3,483	751	6,945	452	7,397

¹⁾ Transaction costs of DKK 1 million are deducted in retained earnings.

Statement of changes in equity

DKK million

	Note	Share capital	Share premium	Equity method reserve	Retained earnings	Proposed dividend	Total	Additional tier 1 capital	Total
2019									
Equity at 1 January		68	-	746	4,393	-	5,207	346	5,553
Net profit		-	-	138	-135	-	3	36	39
Other comprehensive income									
Exchange rate adjustments		-	-	81	-	-	81	-	81
Hedge of net investments in foreign entities		-	-	-58	-	-	-58	-	-58
Other comprehensive income from subsidiaries, net of tax		-	-	1	-	-	1	-	1
Tax		-	-	13	-	-	13	-	13
Total comprehensive income		-	-	175	-135	-	41	36	77
Transactions with owners									
Increase in share capital		7	996	-	-	-	1,003	-	1,003
Additional tier 1 capital ¹⁾		-	-	-	-7	-	-7	448	441
Tier 1 interest payments		-	-	-	-	-	-	-33	-33
Share-based payments and repurchase		-	-	-	-24	-	-24	-	-24
Treasury shares		-	-	-	3	-	3	-	3
Other equity movements		-	-	-	-	-	-	-	-
Equity at 31 december		75	996	921	4,231	-	6,224	798	7,022

¹⁾ Transaction costs of DKK 7 million are deducted in retained earnings.

Statement of capital

DKK million	Note	2020	2019
Tier 1 capital			
Equity at 31 December		6,945	6,224
Proposed dividend		-751	-
Intangible assets ¹⁾		-2,203	-1,823
Deferred tax liabilities, intangible assets		186	132
Deferred tax assets		0	-197
Prudent valuation adjustments		-33	-26
Common equity tier 1 capital		4,144	4,310
Additional tier 1 capital	4.10	448	783
Total tier 1 capital		4,592	5,093
Tier 2 capital			
Subordinated debt	4.9	740	1,120
Total tier 2 capital		740	1,120
Total capital		5,332	6,213
Risk exposure amounts			
Credit risk		9,156	8,881
Market risk		3,153	3,274
Operational risk		3,314	3,199
Total risk exposure amounts		15,623	15,354
Capital ratios			
Common equity tier 1 capital ratio		26.5%	28.1%
Tier 1 capital ratio		29.4%	33.2%
Total capital ratio		34.1%	40.5%

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 2020 provides further information on the assessment of the regulatory capital and is available at Saxo Bank Group's website www.home.saxo/about-us/icaap-and-risk-reports.

Operating income etc.

// Note 1

DKK million	Note	2020	2019
1.1 Interest income			
Credit institutions and central banks		7	14
Loans and other receivables		41	50
Bonds at fair value		199	212
Derivative financial instruments		818	1,016
Total interest income		1,065	1,292
Hereof interest received due to negative interest rates		23	9
1.2 Interest expense			
Credit institutions and central banks		-16	-16
Deposits		-38	-66
Subordinated debt		-58	-75
Derivative financial instruments		-41	-80
Interest expense leases		-1	-1
Total interest expense		-154	-237
Hereof interest paid due to negative interest rates		-	-
1.3 Fee and commission income			
Trading with securities and derivative financial instruments		2,078	1,288
Total fee and commission income		2,078	1,288
1.4 Fee and commission expense			
Trading with securities and derivative financial instruments		-2,184	-1,533
Total fee and commission expense		-2,184	-1,533

Operating income etc.

// Note 1

DKK million	Note	2020	2019
1.5 Price and exchange rate adjustments			
Bonds at fair value		-202	-165
Foreign exchange		1,057	557
Derivative financial instruments ¹⁾		394	225
Total price and exchange rate adjustments		1,248	617
¹⁾ Other than foreign exchange			
1.6 Other income			
Gain from disposal of intellectual property rights		-	630
Service agreements and administrative services		38	27
Other		1	4
Total other income		39	661

Staff costs and administrative expenses etc.

// Note 2

DKK million	Note	2020	2019
2.1 Staff costs and administrative expenses			
Staff costs		-923	-800
Administrative expenses		-803	-899
Total staff costs and administrative expenses		-1,726	-1,699
2.1.1 Staff costs			
Salaries		-919	-799
Share-based payments		-4	-2
Defined contribution pension plans		-73	-71
Social security expenses and financial services employer tax		-113	-117
Staff costs transferred to software under development		186	189
Total staff costs		-923	-800
Number of full-time-equivalent staff (average)		707	734

Remuneration to Board of Directors and the Board of Management and description of Share-based payments are disclosed in note 2.3 Remuneration of management and significant risk takers and 2.4 Share-based payments in the consolidated financial statements.

2.1.2 Remuneration to significant risk takers

Number of significant risk takers (full-time-equivalents)	22	11
Fixed remuneration	-60	-33
Variable remuneration (including share-based payment) ¹⁾	-33	-6
Total remuneration to significant risk takers	-93	-40

¹⁾ In 2019 part of the variable remuneration for significant risk of DKK 2 million related to a retention bonus, which will be vested until 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 Saxo Bank Group remuneration policy and is based on the performance of the individual person. Some of the significant risk takers participate in the warrant scheme described in note 2.4 Share-based payments in the consolidated financial statements.

Saxo Bank Group's Remuneration Policy for 2020 provides further information about the remuneration of Board of Directors, Board of Management, and Significant Risk Takers and is available at Saxo Bank Group's website at www.home.saxo/about-us/investor-relations.

Tax

// Note 3

DKK million	Note	2020	2019
3.1 Income tax			
3.1.1 Effective tax rate			
Profit before tax		837	46
Tax using the Danish tax rate 22%		-184	-10
Effect of tax rates in foreign jurisdictions		0	0
CFC taxation		-24	-6
Changes in deferred tax from change in tax rate		-45	-
Non tax-deductible expenses		-4	-42
Tax-exempt income		1	2
Non exempted withholding tax and other taxes		-0	-0
Tax on interest recognised directly in equity		-	8
Effect of tax on result from subsidiaries and joint ventures		171	40
Adjustments to tax previous years		-1	1
Total income tax recognised in income statement		-86	-7
Effective tax rate		10.3%	15.0%

Tax

// Note 3

DKK million

2020

2019

3.1.2 Tax for the year

	Note	Income statement	Other comprehensive income	Total comprehensive income	Income statement	Other comprehensive income	Total comprehensive income
Current tax		-39	-24	-63	-6	-	-6
Changes in deferred tax for the year		-1	-	-1	-2	13	11
Changes in deferred tax from change in tax rate		-45	-	-45	-	-	-
Non exempted withholding tax and other taxes		0	-	0	-0	-	-0
Adjustments to tax previous years		-1	-	-1	1	-	1
Total		-86	-24	-110	-7	13	6

3.1.3 Tax recognised in Other comprehensive income

	Note	Recognised items before tax	Tax	After tax	Recognised items before tax	Tax	After tax
Exchange rate adjustments		-113	-	-113	81	-	81
Hedge of net investments in foreign entities		108	-24	85	-57	13	-44
Other comprehensive income from subsidiaries, net of tax		38	-	38	1	-	1
Other comprehensive income from joint ventures, net of tax		2	-	2	-	-	-
Total tax recognised in Other comprehensive income		36	-24	12	25	13	38

Tax

// Note 3

DKK million	Note	2020	2019
3.2 Deferred tax assets and liabilities			
Deferred tax at 1 January, net		-17	-29
Change in deferred tax for the year		-1	11
Change in deferred tax from change in tax rate		-45	-
Adjustments to tax previous years		-3	1
Transfer of deferred tax asset to Investment in joint ventures		-96	-
Exchange rate adjustments		0	0
Deferred tax at 31 December, net		-162	-17
		Deferred tax assets	Deferred tax liabilities
		2020	2019
		2020	2019
Intangible assets		-	-
Tangible assets		15	20
Tax losses carried forward		-	197
Deferred income		-	-
Provisions		256	145
Deferred tax		271	362
Offset		-271	-362
Deferred tax (after offset)		-0	0

Statement of financial position

// Note 4

DKK million	Note	2020	2019
4.1 Receivables from credit institutions and central banks			
Demand deposits, credit institutions		6,282	5,416
Total receivables from credit institutions and central banks		6,282	5,416
In 2019 investment grade government bonds with a fair value of DKK 3,320 million was in received as collateral for receivables from credit institutions. No collateral is received in 2020.			
4.2 Loans and other receivables at amortised cost			
By term to maturity:			
Demand deposits, subsidiaries		18	87
More than 5 years, subsidiaries		286	-
Total loans and other receivables at amortised cost		304	87
Loans, advances and guarantees by sector and industry			
Finance and insurance		6%	34%
Real estate activities		94%	66%
Total corporate sector		100%	100%
Private clients		0%	0%
Total loans, other receivables and guarantees by sector and industry		100%	100%

Statement of financial position

// Note 4

DKK million		2020					2019				
	Note	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure	Maximum credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
4.2 Loans and other receivables at amortised cost											
Trading clients		1	-1	-	-	-	1	-1	-	-	-
Subsidiaries		304	-	304	286	18	87	-	87	-	87
Off balance items											
Guarantees issued to subsidiaries		242	-	242	-	242	181	-	-	-	181
Other guarantees		48	-22	25	3	22	54	-20	34	14	20
Total		595	-24	571	289	282	324	-21	303	14	289

4.2.1 Impairment allowance for financial assets at amortised cost and guarantees

	Note	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment allowance 1 January		6	-	21	27	2	-	22	24
Impairment for the year		11	-	5	16	5	-	-	5
Reversal of impairment from previous years		-	-	-3	-3	-1	-	-1	-2
Impairment allowance 31 December		17	-	24	41	6	-	21	27

DKK million

4.3 Bonds at fair value

DKK million	Note	2020	2019
Quoted on NASDAQ OMX Nordic		14.739	13.798
Quoted on other stock exchanges		9.801	5.978
Accrued interest		82	97
Total bonds at fair value		24.623	19.874

Statement of financial position

// Note 4

DKK million

4.4 Intangible and tangible assets	Intangible assets					Tangible assets			
	Note	Goodwill	Software under development	Software developed and purchased	Other	Total	Other equipment, fixtures and fittings	Right-of-use assets	Total
2020									
Cost at 1 January		1,023	135	2,783	4	3,945	379	28	407
Additions		435	623	6	-	1,064	-	5	5
Transfer from internal development		-	-548	520	-	-27	25	-	25
Modifications		-	-	-	-	-	-0	0	-0
Disposals		-36	-	-3	-4	-44	-1	-	-1
Exchange rate adjustments		-0	0	-0	-	-0	-1	-0	-1
Cost at 31 December		1,421	210	3,306	-	4,937	403	33	436
Amortisation, depreciation and impairment at 1 January		-186	-	-2,027	-4	-2,218	-314	-9	-324
Amortisation and depreciation		-	-	-253	-	-253	-22	-11	-33
Impairment		-	-	-	-	-	0	-	0
Disposals		36	-	7	4	48	1	-	1
Exchange rate adjustments		-	-	0	-	0	0	0	0
Amortisation, depreciation and impairment at 31 December		-150	-	-2,273	-	-2,423	-336	-20	-355
Carrying amount at 31 December		1,271	210	1,033	-	2,514	67	14	81

For information on impairment, see note 4.5 Impairment test in the consolidated financial statements. The ownership of BinckBank N.V. has in 2020 been transferred from Star Bidco N.V. to Saxo Bank A/S.

>

Statement of financial position

// Note 4

DKK million

> 4.4 Intangible and tangible assets

	Note	Intangible assets				Tangible assets			
		Goodwill	Software under development	Software developed and purchased	Other	Total	Other equipment, fixtures and fittings	Right-of-use assets	Total
2019									
Cost at 1 January		1,001	132	2,680	4	3,818	388	-	388
Recognition of right-of-use-assets		-	-	-	-	-	-	28	28
Restated cost at 1 January 2019		1,001	132	2,680	4	3,818	388	28	416
Additions		-	593	15	-	608	5	-	5
Transfer from internal development		-	-591	559	-	-32	32	-	32
Disposals		-	-	-471	-	-471	-46	-	-46
Exchange rate adjustments		21	-	-	-	21	0	-	0
Cost at 31 December		1,023	135	2,783	4	3,945	379	28	407
Amortisation, depreciation and impairment at 1 January		-86	-	-1,937	-4	-2,028	-316	-	-316
Amortisation and depreciation		-	-	-281	-	-281	-26	-9	-35
Impairment		-100	-	-91	-	-191	-8	-	-8
Disposals		-	-	282	-	282	36	-	36
Exchange rate adjustments		-	-	-	-	-	-0	-0	-0
Amortisation, depreciation and impairment at 31 December		-186	-	-2,027	-4	-2,218	-315	-9	-323
Carrying amount at 31 December		836	135	756	-	1,727	64	19	84

For information on impairment, see note 4.5 Impairment test in the consolidated financial statements.

Statement of financial position

// Note 4

DKK million	Note	2020	2019
4.5 Other assets			
Derivative financial instruments with positive fair value		5,020	4,163
Prepayments		36	36
Receivables related to joint venture (Loan note)		-	560
Other receivables		360	71
Total other assets		5,417	4,830
4.6 Debt to credit institutions and central banks			
Debt on demand		7,241	4,236
Total debt to credit institutions and central banks		7,241	4,236
Debt on demand included DKK 23 million (2019: DKK 22 million) placed by clients as collateral for unrealised client trading positions at 31 December 2020.			
4.7 Deposits			
Deposits on demand		25,231	22,961
Pension funds		5	1
Total deposits		25,235	22,962
Deposits on demand included DKK 1,627 million (2019: DKK 2,400 million) placed as collateral for unrealised client trading positions as at 31 December 2020.			
4.8 Other liabilities			
Derivative financial instruments with negative fair value		3,752	1,862
Suppliers and other outstanding costs		181	198
Staff commitments		332	201
Other obligations including intercompany		43	452
Total other liabilities		4,308	2,712

4.9 Subordinated debt

Detailed information on subordinated debt is disclosed in note 5.3 Subordinated debt in the consolidated financial statements.

4.10 Equity

At 31 December 2020 the share capital consisted of 75,207,449 (2019: 75,207,449) shares with a nominal value of DKK 1.

The Board of Directors is proposing a dividend of DKK 9.98 per share (2019: DKK 0) or a total of DKK 750,802,131 (2019: DKK 0) for Saxo Bank A/S.

In 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 7 million and DKK 996 million was recognised as Share premium reserve in Equity.

Detailed information on Share capital, holding of own shares and Additional tier 1 capital is disclosed in note 5.1 Shares and 5.2 Additional tier 1 capital in the consolidated financial statements.

4.11 Hedge accounting

Saxo Bank A/S hedges the exchange 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 note 9.4 Hedge accounting in the consolidated financial statements.

Statement of financial position

// Note 4

DKK million	Note	2020	2019
4.12 Contingent and other contractual commitments			
Guarantees			
Financial guarantees		236	174
Guarantees issued to subsidiaries		28	28
Other guarantees		3	14
Total guarantees		267	216
Other contractual commitments			
Rent commitments towards subsidiaries		307	350
Other contractual commitments		211	156
Total other contractual commitments		518	506

Lease commitments DKK 0 million (2019: DKK 0 million) for intercompany leases, low value assets and short-term leases not recognised in statement of financial position are disclosed in other contractual commitments.

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

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 into a Danish joint taxation with Geely Financials Denmark A/S. Geely Financials Denmark A/S is 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.

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.

DKK million	Note	2020	2019
4.13 Assets deposited as collateral			
Bonds at fair value		6,747	2,347
Receivables from credit institutions and central banks		878	211

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.

Risk Management

// Note 5

5.1 Risk Management

Risk types

Saxo Bank A/S is exposed to risks, which can be categorised as follows:

// **Credit risk:**

The risk that a borrower or counterparty 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:**

Operational risk is defined as the risk of losses due to inappropriate or inadequate internal procedures, human errors and system errors or as a result of external events.

// **Liquidity risk:**

The risk that Saxo Bank A/S does not have sufficient liquidity to fulfil its payment obligations as and when they fall due. Also, the risk that the Saxo Bank A/S' cost of funding rises to disproportionate levels or in worst case prevents the Bank from continuing as a going concern under its current business model. Finally, the risk that Saxo Bank A/S does not comply with regulatory liquidity requirements.

// **Business risk:**

Business risk is defined as the possibility of inadequate returns caused by either external or internal factors that may affect Saxo Bank A/S' earnings volatility, profitability and ability to generate predictable returns.

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 note 6 Risk Management in the consolidated financial statements.

In addition, Saxo Bank A/S has credit exposure against its subsidiaries due to granted trading and credit lines and loans. The unutilised credit lines as per 31 December 2020 can be terminated on demand.

The unaudited Risk Report 2020 provides additional information about Saxo Bank A/S' risk management approach. Risk Report 2020 is available at www.home.saxo/about-us/icaap-and-risk-reports.

Risk Management

// Note 5

5.2 Credit risk - Derivatives

Credit risk related to derivative financial instruments is disclosed in note 6.1.5 Credit risk - Derivatives and in note 9.3 Offsetting financial assets and liabilities in the consolidated financial statements.

Derivative financial instruments with positive value and derivative financial instruments with negative value in Saxo Bank A/S are the same as in the Group except from other contracts (turbos) and interest swaps with negative value.

Derivative financial instruments with positive value DKK 5,020 million (2019: DKK 4,163 million) are included in Other assets and Derivative financial instruments with negative value DKK 3,752 million (2019: DKK 1,862 million) are included in Other liabilities.

The net credit risk exposure in Saxo Bank A/S to derivatives with positive value after offsetting under master netting agreements amounted to DKK 542 million 31 December 2020 (2019: DKK 122 million). The net uncovered positive fair value generally represents credit risk exposures, which Saxo Bank A/S has accepted within its policies and risk limits, either as a granted credit line for corporate and retail clients, an approved counterparty exposure risk for financial institutions or through a close out netting agreement which is not formally verified by a legal opinion. It should be noted that a significant portion of the mentioned exposure is held against different exchanges representing a limited credit risk.

Maturity analysis of derivatives financial instruments with negative values are disclosed in note 9.2 Maturity analysis of financial liabilities in the consolidated financial statements.

Other disclosure requirements

// Note 6

6.1 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 the controlling influence in Saxo Bank A/S

Geely Group Limited, British Virgin Island 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 2020, 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

>

Other disclosure requirements

// Note 6

DKK million	Note	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
6.1 Related parties											
		Board of Directors		Board of Management ¹⁾		Parties with controlling influence		Subsidiaries		Joint ventures	
Loan note		-	-	-	-	-	-	-	-	-	560
Convertible loan notes		-	-	-	-	-	-	-	-	331	894
Loans and other receivables		-	-	-	-	-	-	304	87	-	-
Receivables from credit institutions		-	-	-	-	-	-	3,817	1,578	-	-
Deposits (liabilities)		0	0	0	0	-	-	292	670	-	-
Debt to credit institutions		-	-	-	-	-	-	3,775	1,654	-	-
Trading assets		-	-	-	-	-	-	-267	209	-	-
Other assets		-	-	-	-	0	-	333	33	0	-
Other liabilities		-	-	-	-	-	-	44	452	-	-
Interest income		-	-	-	-	-	-	114	131	-	-
Interest expenses		-	-	-	-	-	-	-32	-33	-	-
Fee and commission income		0	0	0	0	-	-	6	5	-	-
Fee and commission expense		-	-	-	-	-	-	-930	-620	-	-
Other services (income)		-	-	-	-	0	0	38	27	-	-
Other services (expense)		-	-	-0	-1	-	-	-26	-23	-	-
Client support services		-	-	-	-	-	-	-17	-27	-	-
Disposal of intellectual property rights		-	-	-	-	-	-	-	-	-	2,242
Leases		-	-	-	-	-	-	-44	-43	-	-
Subleases		-	-	-	-	-	-	0	0	-	-
Software development		-	-	-	-	-	-	-320	-212	-	-
Dividend from subsidiaries		-	-	-	-	-	-	54	41	-	-
Capital increase (including conversion of convertible loan notes)		-	-	-	-	-	-	57	-	560	37
Guarantees issued		-	-	-	-	-	-	242	181	-	-

¹⁾ Includes parties being both part of the Board of Management and having significant influence

Remuneration to Board of Directors and Board of Management is disclosed in note 2.3 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 8.2 Investment in joint ventures and 9.6 Group entities in the consolidated financial statements.

Other disclosure requirements

// Note 6

DKK million

2020

6.2 Activities by country

Country	Activity	Note	Income ¹⁾	Profit before tax	Tax	Received government grants	Number of full-time-equivalent staff
Australia	Trading and investment		88	30	-9	1	12
Belgium	Sales and marketing		89	8	-2	-	34
Brazil	Trading and investment		5	1	-0	-	2
China	Sales and marketing, IT development		56	-7	-1	-	91
Czech Republic	Sales and marketing		48	4	-1	-	41
Denmark	Other activities ²⁾		51	-18	3	0	-
Dubai	Trading and investment		30	-5	-	-	13
France	Trading and investment, sales and marketing		154	41	-13	-	57
Hong Kong	Trading and investment		37	-11	2	1	15
India	IT-development		277	47	-13	-	718
Italy	Trading and investment, sales and marketing		50	-9	1	-	26
Japan	Trading and investment		46	3	-2	-	16
Netherlands	Trading and investment, IT development		1,447	540	-143	-	343
Singapore	Trading and investment		418	211	-30	4	92
Switzerland	Trading and investment, IT Development		298	82	-18	-	32
UK	Trading and investment, sales and marketing		302	138	-27	-	59

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

Note 9.6 Group entities in the consolidated financial statements provides information on the company names and financial information of Saxo Bank Group's significant subsidiaries.

Key figures and ratios

Note 7

DKK million	Note	2020	2019	2018	2017	2016
Income statement						
Net interest, fees and commissions		805	809	939	799	438
Price and exchange rate adjustments		1,248	617	784	1,072	1,395
Staff costs and administrative expenses		-1,726	-1,699	-1,454	-1,370	-1,296
Impairment charges loans and receivables		-13	-4	-12	8	-25
Result from subsidiaries and joint ventures		775	183	202	281	171
Profit before tax		837	46	999	503	397
Net profit		751	39	987	427	328
Statement of financial position						
Loans and other receivables at amortised cost		304	87	120	74	102
Deposits		25,235	22,962	18,588	18,886	20,206
Subordinated debt		776	1,140	370	351	529
Total equity		7,397	7,022	5,553	4,584	4,197
Total assets		45,414	38,334	32,121	32,185	37,372
Key figures and ratios						
Total capital ratio		34.1%	40.5%	35.5%	27.9%	24.6%
Tier 1 capital ratio		29.4%	33.2%	32.4%	25.0%	21.6%
Return on equity before tax		11.6%	0.7%	19.7%	11.5%	9.8%
Return on equity after tax		10.4%	0.6%	19.5%	9.7%	8.1%
Income/cost ratio		141.2%	102.1%	156.7%	129.8%	123.9%
Interest rate risk		2.8%	1.6%	2.8%	4.2%	4.8%
Foreign exchange rate risk/Tier 1 capital		3.7%	2.5%	3.2%	12.8%	16.5%
Value at risk of foreign exchange rate risk/Tier 1 capital		0.0%	0.0%	0.1%	0.1%	0.1%
Loans and other receivables plus impairment charges/Deposits		1.3%	0.5%	0.8%	0.5%	0.6%
Loans and other receivables proportional to Total equity		0.04	0.01	0.02	0.02	0.02
Growth in loans and other receivables		247.9%	-27.1%	62.4%	-27.9%	165.2%
Liquidity coverage ratio		186.2%	234.3%	195.9%	182.1%	146.7%
Sum of large exposures /CET1 capital ¹⁾		20.2%	23.1%	7.4%	0.0%	0.0%
Loss and provisions ratio		2.2%	1.1%	3.1%	-2.5%	8.2%
Return on assets		1.7%	0.1%	3.1%	1.3%	0.9%

¹⁾ Change in computation of large exposures applied from 2018. Comparative figures are not restated.

See note 10.2 Definitions of key figures and ratios in the consolidated financial statements for definitions.

Basis of preparation

// Note 8

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 Saxo Bank Group, note 11.2 in the consolidated financial statements, except for the items below.

Change in comparative figures

Certain minor changes have been made to the comparative figures for 2019 due to reclassifications.

Operating income

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

Investments in subsidiaries

Investments in subsidiaries are measured in accordance with the equity method, which means that the investments are measured at the parent 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 Equity method reserve.

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.

Leases

Saxo Bank A/S' intercompany lease of office premises is accounted for as operational lease.

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.

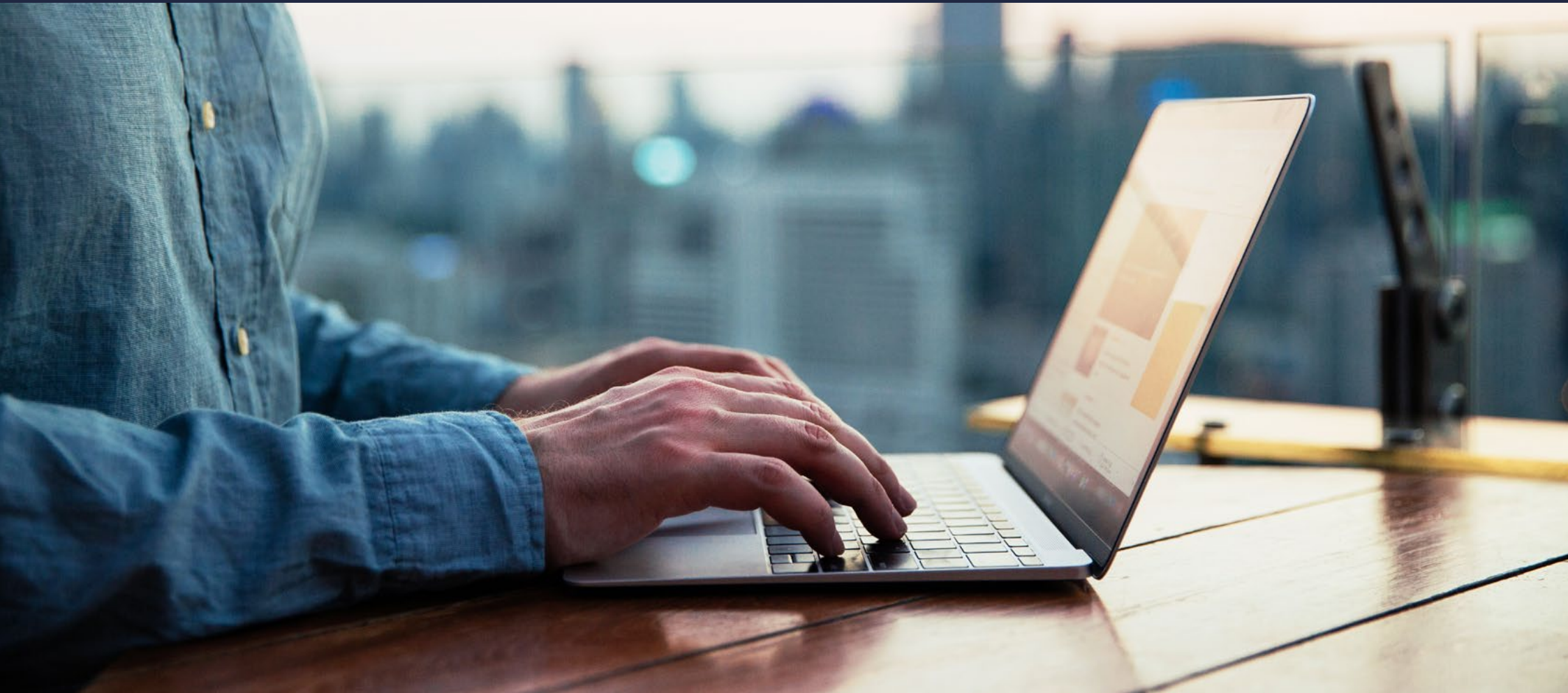
The format of the financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRS.

Statements and reports

// Saxo Bank A/S

122 Statement by the Management

123 Independent auditor's report



Statement by the Management

The Board of Directors and Board of Management have considered and approved the Annual Report for the financial year 2020 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 2020 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 2020.

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 3-36) and describe the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The 2020 Annual Report is submitted for the approval of the Annual General Meeting.

Copenhagen, 23 February 2021

Board of Management



Kim Fournais
Founder and CEO



Søren Kyhl
Deputy CEO and Chief Operating Officer



Steen Blaa Falk
Chief Financial and Risk Officer

Board of Directors



Henrik Normann



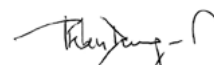
John Patrick Sture Lapveteläinen



Daniel Donghui Li
Chairman



Yi Ian Zhang



Preben Damgaard Nielsen

Independent auditor's 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 2020 to 31 December 2020, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of 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 2020 and of its financial performance and cash flows for the financial year 1 January 2020 to 31 December 2020 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 2020 and of its financial performance for the financial year 1 January 2020 to 31 December 2020 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 2020 to 31 December 2020. 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

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 Entity 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, 23 February 2021

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

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Saxo Bank A/S
CVR 15731249
Philip Heymans Allé
DK-2900 Hellerup



The Board of Directors and Board of Management

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Board of Directors

Daniel Donghui Li – Chairman

Born on 26 June 1970
Country of residence: China
Nationality: Chinese
Gender: Male
Joined the Board in 2018
Appointed Chairman in 2018

Chairman of the Board of Directors

Competencies:

Strong executive background as CFO of a global company and chairman of a number of boards. Strong competencies in international finance and general management.

Directorships and other offices:

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

Henrik Normann – Vice Chairman

Born on 26 March 1953
Country of residence: Finland
Nationality: Danish
Gender: Male
Joined the Board in 2015
Appointed Vice Chairman in 2018

Vice Chairman of the Board of Directors and Chairman of the Board Risk Committee.

Competencies:

Strong executive background as CEO of a pan Nordic investment bank and chairman of a number of boards, and extensive experience within the banking industry, capital markets, risk management and ESG.

Directorships and other offices:

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

John Patrick Sture Lapveteläinen – Board Member

Born on 28 September 1966
Country of residence: Finland
Nationality: Finnish
Gender: Male
Joined the Board in 2018

Member of the Board Risk Committee and the Remuneration Committee.

Competencies:

Extensive experience in the banking industry and from serving on a number of boards and strong competencies within finance, asset management and risk management.

Directorships and other offices:

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

Yi Ian Zhang – Board Member

Born on 1 October 1962
Country of residence: Sweden
Nationality: Chinese
Gender: Male
Joined the Board in 2018

Chairman of the Audit Committee and member of the Remuneration Committee.

Competencies:

Executive background as CFO and experience from serving on a number of boards with strong competencies in finance and general management.

Directorships and other offices:

Polestar Automotive (Singapore) Pte. Ltd (CFO & BM)
Polestar Performance AB (CFO & BM)
Geely Financials Denmark A/S (CEO & BM)
Geely Financial International Limited (BM)
Geely International (Hong Kong) Limited (BM)
Hangzhou UGO Tech Co., Ltd (BM)

Preben Damgaard Nielsen – Board Member

Born on 23 August 1963
Country of residence: Denmark
Nationality: Danish
Gender: Male
Joined the Board in 2018

Member of the Audit Committee and the Board Risk Committee.

Competencies:

Extensive experience in the IT industry and executive experience from high growth companies as well as strong competencies in finance, M&A and CSR.

Directorships and other offices:

Damgaard Company A/S (CEO and BM)
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)
Damgaard Family Invest IV ApS (CEO and BM)
Damgaard Group A/S (CEO and BM)
Damgaard Group Holding A/S (CEO and BM)
DGH I ApS (CEO)
Dixa ApS (CM)
Ejendomsselskabet Tesch Alle ApS (CEO)
Fellowmind AB (BM)
Formuepleje Holding A/S (BM)
Galleri Bo Bjerggaard International ApS (CEO)
Katrine Damgaard Invest ApS (CEO and BM)
Markus Damgaard Invest ApS (CEO and BM)
Olivia Damgaard Invest ApS (CEO and BM)
OrderYOYO ApS (BM)
PD International Invest ApS (CEO)
Proactive A/S (BM)
Musceteers Holding 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)

Board of Management

Kim Fournais – Founder and CEO

Born on 30 June 1966
Country of residence: Denmark
Nationality: Danish
Gender: Male
Founder

Directorships and other offices:

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

Søren Kyhl – Deputy CEO and Chief Operating Officer

Born on 19 March 1968
Country of residence: Denmark
Nationality: Danish
Gender: Male
Joined Saxo Bank in 2016

Directorships and other offices:

Saxo Fintech (BM)

Steen Blaa Falk – Chief Financial and Risk Officer

Born on 31 May 1961
Country of residence: Denmark
Nationality: Danish
Gender: Male
Joined Saxo Bank in 2014

Directorships and other offices:

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

Corporate Governance

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Annual General Meeting

The shareholders of Saxo Bank A/S have the ultimate authority over the company and exercise their right to make decisions at general meetings. At the Annual General Meeting, shareholders approve the Annual Report and any amendments proposed to the company's Articles of Association. Shareholders also elect board members and the independent auditor. Saxo Bank A/S' Annual General Meeting is held in Copenhagen before the end of April of each year.

Board of Directors

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 for a one year term and reelection may take place. At the Annual General Meeting held on 17 April 2020 all Board members sought re-election and were elected.

The composition of the Board of Directors aims to ensure the stable and strong development of Saxo Bank for the benefit of its clients, employees, and shareholders. Each member of the board must possess sufficient knowledge, skills and experience to perform their duties and act with honesty, integrity and independence of mind. Finally, all board members must set a side sufficient time to perform their functions in Saxo Bank. In section The Board of Directors and Board of Management you can read more about the competencies of the individual Board members.

In September 2020 the Board of Directors carried out the annual evaluation of the Board of Directors, including its composition, the work on the Board committees, the committee structure and the leadership of the Board chairman.

All members of the Board of Directors and the Board of Management answered comprehensive questionnaires. The findings and conclusions were subsequently presented to and discussed by the Board of Directors. The aim of the evaluation was to ensure, among other things, that the composition of the Board of Directors as well as the competencies of each Board member enable the Board of Directors to perform its tasks. As the Board of Directors operates as a collegial body, its overall competencies and experience are the sum of the individual board members' competencies and experience.

The results of the 2020 evaluation were generally positive, however, some areas for improvement became apparent from the result and the Board of Directors will work on these in 2021.

Audit Committee

The Audit Committee consists of three members with experience within auditing, finance and banking. The Audit Committee is responsible for assisting the Board in overseeing the financial reporting process, the effectiveness of the internal audit control and risk management in relation to the financial reporting process and the statutory audit including to evaluate the independence of external audit.

Board Risk Committee

The Board Risk Committee consists of three members with experience within risk management, banking and the IT industry. The Board Risk Committee is responsible for assisting the Board in overseeing the Saxo Bank Group's risk and capital management including the overall actual and future risk appetite and strategy and the implementation of the strategies for capital and liquidity management as well as for all other relevant risks.

Remuneration Committee

The Remuneration Committee consists of two members with experience within finance and general management.

The Remuneration Committee is responsible for assisting the Board in overseeing the Remuneration Policy as well as the actual remuneration of board members, board committees and Board of Management.

Board of Management

The Board of Directors and Board of Management operate under a two-tier management structure wherein powers and responsibilities are distributed between the Board of Directors and the Board of Management. The Board of Directors supervises the work of the Board of Management and is responsible for the overall management and strategic direction, while the Board of Management is in charge of the day-to-day management. The daily management of the business lines in the Saxo Bank Group is carried out by the Executive Team.

Diversity

Pursuant to the Danish Financial Business Act art. 79 a), the Board of Directors have set a target of having at least 20% shareholder-elected female board members by 2021. As of December 31, 2020, Saxo Bank has no female board members.

The Board of Directors remains committed to increasing gender diversity in the Board. Therefore, the Board has set a new and more ambitious target effective as of 2021 of having at least 30% shareholder-elected female board members by 2024, read more about diversity in Saxo Bank in section Social Contributions.

