

# Half-year Report 2005

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Saxo Bank A/S

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# Company Information

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## Company

Saxo Bank A/S  
Smakkedalen 2  
DK-2820 Gentofte  
Denmark  
Reg. nr. 1149  
CVR nr. 15 73 12 49

Registered Office: Gentofte

## Board of Directors

Henrik Thufason	Chairman of the Board
Florian P. Wendelstadt	Vice Chairman of the Board
John Korsø Jensen	
Henning Skovlund	
Teddy Jacobsen	
Jonathan Korngold	

## Senior Management

Lars Seier Christensen	Joint Chief Executive Officer
Kim Fournais	Joint Chief Executive Officer
Eric Frydenlund Michelsen	Vice Chief Executive Officer
Shailendra Robin Patel	Chief Financial Officer

# Management Review

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Saxo Bank continued to strengthen its business in the first 6 months of the year. Pre-tax profit was Dkr. 73 million compared to Dkr. 69 million for the same period last year. The bank obtained a 30% growth in client deposits in the first half-year 2005.

## Result

The first-half, pre-tax profit of Dkr. 73 million was considered acceptable by the management in light of the somewhat inactive foreign exchange market, as this market is the bank's main area of business.

The volatility was generally limited in the foreign exchange market compared to the same period in 2004. The growth in the foreign exchange income was therefore not entirely in correlation with the overall increase in the number of clients and the assets received from clients.

The Management notes a very satisfying growth in the profit in other areas of business, in particular income generated from CFD (stock derivatives) and Futures trading. The bank's expanding hedge fund and asset management business demonstrated strong growth, especially with institutional investors.

## Balance sheet, Shareholders equity and Solvency ratio

Very satisfying and in line with the Bank's long-term plans the total number of clients and client deposits has doubled over the last twelve months. The increase in assets from clients in the first half-year of 2005 also doubled compared to the same period last year. Total deposits from clients grew from Dkr. 2.5 billion at the end of 2004 to Dkr. 3.3 billion, an increase of Dkr. 800 million in the first half-year compared to an increase of Dkr. 400 million in the same period last year.

The increase comes partly from direct Saxo Bank client business and partly from the Bank's partner relationships. In addition, the Bank's hedge fund business is managing several hundred million Danish kroner deposited in other banks.

Due to the increase in the client deposits the combined assets grew to Dkr. 3.3 billion from Dkr. 2.8 billion at the end of 2004. Shareholders' equity at the end of the half-year was Dkr. 229 million compared to Dkr. 178 million at the end of last year after dividend of Dkr. 36 million for the year 2004.

The bank's solvency ratio was 14.1% at the end of the first half-year of 2005. Compared to the end of 2004 the solvency ratio is less 14.3%, which primarily is caused by the general changes in the solvency ratio calculation rules. The legal required solvency level of 8% is still more than met.

## **New major shareholder and change of board members**

In June 2005 the shareholders of Saxo Bank made an agreement with the global private equity firm, General Atlantic LLC to become a new shareholder of the bank. General Atlantic LLC is a leading global private equity fund focused on investing in companies providing information technology or using information technology as a driving growth factor.

The new partnership with General Atlantic is expected to support the Saxo Bank's growth strategy in many areas.

As part of the agreement General Atlantic Managing Director Florian Wendelstadt has joined the Board of Directors as Vice-chairman and Principal Jonathan Korngold has joined as member of the Board.

At the same time Attorney-at-law Peter Lerbrandt stepped down from the Board.

## **Expectations for 2005**

The bank's positioning as a pure online capital markets facilitator continues to drive revenue from direct trading partners and indirectly through financial intermediaries including more than 50 white label partners, who distribute the SaxoTrader platform under their own brand, to their local client base.

The bank's IT orientation and focus on Internet lead generation, automation and data interface enables geographic expansion. Saxo Bank believes that the online capital markets will continue to expand and that information technology gives the bank a major competitive advantage.

Management remains confident with the budget of an improvement of the result in 2005 compared to the 2004.

## **Post balance sheet events**

No events occurring after the balance sheet date have any significant influence on the financial position of the bank as of 30th June 2005.

## **Shareholders**

The following shareholders have registered shareholdings more than 5 per cent of the bank's share capital:

Internet Invest Holding A/S, Smakkedalen 2, DK-2820 Gentofte  
GA European Investments Limited, Julia House 3 Themistocles Dervis Street, CY-1066 Nicosia

Copenhagen, 23rd of August 2005.

## **Accounting policies applied**

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The Saxo Bank A/S half-year report for the period 1st of January – 30th of June 2005 has been reported in accordance with the Financial Business Act as well as the Danish Executive Order on Presentation of Accounts of Banks.

The Bank has with effect from 1st of January 2005 changed the accounting practice, as a new Danish Executive Order on Presentation of Accounts of Banks was enforced as per this date. The effect of the change of practice is mentioned below.

Dividend proposed is not calculated as an obligation before the General Annual Meeting has approved the distribution thus as opposed to earlier included in Shareholders Equity. The Equity is per 1st of January 2005 as a result of this increased by Dkr. 36.102 thousand, while Other Liabilities has equally been reduced. The change has no effect as of 30<sup>th</sup> of June 2005.

Financial instruments were under the previous accounting practice measured at the average market prices (middle prices). From 1st of January 2005 the financial instruments are measured at closing prices. Furthermore a reservation of the difference between buy- or sell prices and the middle price is booked. The shareholders equity has due to the change been reduced with Dkr. 230 thousand as of 1<sup>st</sup> of January and the profit for the first half-year has been reduced by Dkr.150 thousand. Other Assets has been decreased by Dkr.159 thousand and Other Liabilities has been increased by Dkr. 221 thousand as of 30<sup>th</sup> of June 2005 due to the change.

Tax payable and tax deferred was previously presented as a part of Other Liabilities respectively Provisions for commitments and is now presented as separate items.

All the changes in the accounting policies have decreased the shareholders equity as of 30<sup>th</sup> of June 2005 by Dkr. 380 thousand and the profit before tax for the half-year has been decreased by Dkr. 150 thousand.

The accounting policies are apart from this unchanged compared to the Annual Report 2004.