



Half-year Report 2006

Saxo Bank A/S

SAXO BANK A/S

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Company Information

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 Wendelstadt	Vice Chairman of the Board
Teddy Kær Jacobsen	
John Korsø Jensen	
Jonathan Craig Korngold	
Julian Simmonds	
Henning Skovlund	

Executive Management

Lars Seier Christensen	Joint Chief Executive Officer
Kim Fournais	Joint Chief Executive Officer

Management Review

Saxo Bank continued to post solid growth in earnings and overall business during first half-year 2006. The bank reported profits before tax of DKK 123 million compared with DKK 73 million during the corresponding period in 2005. Total client deposits also increased by 37% compared to previous year.

Result

Saxo Bank's management reported satisfactory results for first half of 2006 with profits before tax of DKK 123 million. Operating income increased by 87% on a year-on year basis from DKK 250 million to DKK 468 million. The bank's return on equity for the first half of 2006 was 38% before tax, and 27% after tax respectively, with first half-year pre-tax profits increasing from DKK 73 million to DKK 123 million; a 69% improvement relative to first half of 2005.

Client deposits grew by DKK 800 million during the reporting period. By the half-year mark, total client deposits represented DKK 4.5 bn, compared with DKK 3.7 bn at the start of the year. This increase in client deposits was driven from the bank's private client business as well as its increasingly effective partner and institutional business.

During the first half of 2006, Saxo Bank's personnel ranks grew by more than 170 employees, primarily throughout the sales, client service and IT functions – and now numbers more than 600. In support of overall business growth plans, the bank expects the number of employees to increase to more than 800 professionals by the end of 2006.

Saxo Bank will continue with the deployment of its global expansion and business development plan during the rest of 2006. Following the successful launch of its first branch office in London in June 2006, the bank is continuing with plans to launch a subsidiary in Singapore, Saxo Capital Markets Ltd., in Q3 2006, together with recently announced efforts for organizing a Southern European office in Marbella, Spain.

Balance sheet, Shareholders equity and Solvency ratio

Due to the increase in direct client deposits, the bank's total assets increased in the first half year by more than 20% to DKK 5.2 bn from DKK 4.3 bn as at the end of 2005. Shareholders' equity increased by 30%, to DKK 371 million in 2006 compared with DKK 284 million as at the end of 2005 after dividend payment of DKK 52 million for 2005. The bank's overall capital base was also further strengthened during the first half of 2006 with the addition of another subordinated loan of EUR 10 million, or DKK 75 million, bringing the total subordinated loan capital to DKK 149 million.

The profit for the first half-year is included in the solvency ratio according to the rules laid down this regarding as from January 1st 2006. Provision for dividend had not been deducted in the calculation.

The bank's solvency ratio was 19.8% at the end of the first half-year of 2006 against 14.6% at the end of 2005. Without including the result for half-year the solvency ratio

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was 16.2%. In addition to the profit after tax for the half-year, DKr. 87 million, the increase in the solvency ratio can be assigned to the increase of the subordinated loan capital by DKr. 75 million in the half-year.

So the bank's solvency ratio is still well above the legal required solvency level of 8% and is sufficient to support the increasing exposure following the growths in the bank's trading activities.

Expectations for 2006

The bank's positioning as a provider and facilitator on the online capital markets continues to drive revenue from direct trading partners and indirectly through financial intermediaries. The global expansion in London and Singapore will contribute further to this.

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 2006 compared to the 2005.

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 2006.

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 Global Investments Limited, Papyros Building, 6 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus.

Copenhagen, 24th of August 2006.

Accounting policies applied

The Saxo Bank A/S half-year report for the period 1st of January – 30th of June 2006 has been prepared in accordance with the Danish Financial Business Act, the Danish executive order on financial reports for credit institutions and investment companies etc., and guidelines issued by The Danish Financial Supervisory Authority.

The accounting policies applied are unchanged compared to the Annual Report 2005.

With reference to section 137(1) of the Danish executive order on the presentation of financial statements for credit institutions and investment companies etc. the bank does not prepare consolidated accounts since the bank's parent company, Internet Investment Holding A/S, Gentofte (company registration number 18 05 07 70), prepares consolidated accounts.

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KEY FIGURES

(DKr. ' 000)	1. half-year 2006	1. half-year 2005	1. half-year 2004	1. half-year 2003	1. half-year 2002
Net interest, fees and commissions receivable	-64.952	-38.090	-44.852	-28.923	2.185
Price and exchange rate adjustments	533.032	288.577	257.314	147.848	77.739
Staff costs and administrative expenses	331.258	169.309	136.151	91.129	61.814
Loss and provisions for bad debts	1.832	79	300	274	7
Result of participating interests in affiliated undertakings	1.336	12	198	-225	-33
Net profit for the half-year	87.056	51.123	47.182	14.972	10.186
Loans and advances	163.109	145.075	85.155	33.274	66.277
Shareholders' equity	370.766	228.906	148.592	86.165	68.886
Total assets	5.238.939	3.279.155	2.014.266	1.394.472	793.185

RATIOS

Solvency Ratio	19,8%				
Solvency Ratio exclusive profit for the half-year	16,2%	14,6%	19,3%	24,8%	22,0%
Core Capital Ratio	13,7%				
Core Capital Ratio exclusive profit for the half-year	10,1%	10,0%	10,9%	12,7%	22,0%
Return before tax on shareholders' equity	37,5%	33,0%	55,5%	28,0%	23,6%
Return after tax on shareholders' equity	26,6%	23,1%	37,7%	19,0%	16,0%
Cost/core income ratio	1,35	1,41	1,48	1,23	1,23
Interest rate risk	0,6%	1,6%	1,9%	1,1%	1,8%
Foreign exchange positions	351,5%	556,7%	1044,3%	506,1%	234,1%
Exchange rate risk	7,5%	10,9%	20,4%	4,3%	9,4%
Loans, advances and provisions proportional to deposits	4,2%	5,5%	5,4%	3,3%	11,9%
Loans and advances proportional to share capital	0,4%	0,6%	0,6%	0,4%	1,0%
Growth of loans and advances (half-year)	34,4%	40,6%	36,3%	-17,4%	80,5%
Additional liquidity proportional to the demand of liquidity	763,4%	789,0%	806,5%	756,5%	657,1%
The total of large engagements/base capital	80,5%	55,2%	71,6%	41,5%	43,6%
Loss and provisions ratio (half-year)	1,1%	0,1%	0,3%	0,8%	0,0%

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PROFIT AND LOSS ACCOUNT

(DKr. ' 000)

	Note	1. half- year 2006	1. half- year 2005
Interest receivable	1	217.063	111.512
Interest payable	2	-133.647	-55.635
Net interest receivable		83.416	55.877
Fees and commissions receivable		147.742	79.109
Fees and commissions payable		-296.110	-173.076
Net interest, fees and commissions receivable		-64.952	-38.090
Price and exchange rate adjustments	3	533.032	288.577
Operating income		468.080	250.487
Other ordinary income		635	595
Staff costs and administrative expenses	4	-331.258	-169.309
Depreciation and amortization of intangible and tangible assets		-13.770	-8.586
Other ordinary charges		0	-87
Loss and provisions for bad debts	5	-1.832	-79
Result of participating interests in affiliated undertakings	6	1.336	12
Profit on ordinary operations before tax		123.191	73.033
Tax		-36.135	-21.910
Net profit for the half-year		87.056	51.123

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BALANCE SHEET

(DKr. ' 000)

	Note	30.06.2006	31.12.2005
<u>Assets</u>			
Cash in hand and demand deposits with central banks		110	142
Receivables from credit institutions and central banks		1.557.751	1.235.826
Loans and advances at amortized costs		163.109	121.317
Bonds at fair value		2.519.559	2.203.818
Equities		5.832	6.297
Participating interest in affiliated undertakings	6	5.321	874
Intangible assets		38.816	25.543
Tangible assets		50.949	37.093
Tax receivables		0	10.188
Other assets		882.982	640.096
Prepayments		14.510	7.406
Total assets		5.238.939	4.288.600
<u>Shareholders' equity and liabilities</u>			
Debt to credit institutions and central banks		142	22
Deposits		3.937.654	3.391.959
Company tax		15.827	0
Other liabilities		755.340	478.790
Total debts		4.708.963	3.870.771
Provisions for deferred tax		9.904	7.014
Other provisions		150	320
Total provisions		10.054	7.334
Subordinated loan	7	149.156	74.614
Share capital		54.286	54.286
Other reserves		437	437
Proposed dividend			52.171
Retained earnings		316.043	228.987
Total shareholders' equity		370.766	335.881
Total shareholders' equity and liabilities		5.238.939	4.288.600
Contingent and contractual liabilities	8		

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CHANGE IN CAPITAL

(DKr. ' 000)

	Share Capital	Share Premium Account	Other Reserves	Proposed Dividend	Retained Earnings	Total
Shareholders' equity 1. January 2005	46.410	2.527	437	36.102	128.409	213.885
Exchange rate adjustment, affiliated undertakings					5	5
Net profit for the year					105.922	105.922
Dividend paid for 2004				-36.102		-36.102
Proposed dividend for 2005				52.171		52.171
Increase in the share capital	13.783				714.967	728.750
Decrease in the share capital	-5.907				-285.593	-291.500
Extraordinary dividend paid					-437.250	-437.250
Transfer of Share premium account		-2.527			2.527	0
Shareholders' equity 31. December 2005	54.286	0	437	52.171	228.987	335.881
Net profit for the half-year					87.056	87.056
Dividend paid for 2005				-52.171		-52.171
Shareholders' equity 31. June 2006	54.286	0	437	0	316.043	370.766

The bank has issued warrants to the bank's employees as follows:

Year of issue	Amount issued	Exercised /Expired	Outstan- ding	Strike Price	Expiry
2002	744.750	0	744.750	2,78	2006
2003	102.000	0	102.000	5,28	2007
2006	72.382	0	72.382	87,73	2007
Total	919.132	0	919.132		

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NOTES

(DKr. ' 000)

	1. half- year 2006	1. half- year 2005
1. Interest receivable		
Receivables from credit institutions and central banks	47.243	22.035
Loans and advances	48.385	17.091
Bonds	35.277	21.260
Derivative financial instruments	86.157	51.086
Other interest income	1	40
Total interest receivable	217.063	111.512
2. Interest payable		
Credit institutions and central banks	-62.012	-26.461
Deposits	-44.102	-17.989
Subordinated loan	-3.264	-1.746
Derivative financial instruments	-22.068	-9.425
Other interest payable	-2.201	-14
Total interest payable	-133.647	-55.635
3. Price and exchange rate adjustments		
Bonds	-722	-7
Foreign Exchange	431.514	253.897
Derivative financial instruments	102.240	34.687
Total price and exchange rate adjustments	533.032	288.577
4. Staff costs and administrative expenses		
Salaries and remuneration of Board of Directors and Chief Executive Officers		
Chief Executive Officers	-13.729	-10.359
Board of Directors	-400	-305
Total	-14.129	-10.664
Staff costs		
Salaries	-148.822	-82.964
Pensions	-11.486	-4.519
Social security expenses	-13.377	-8.621
Total	-173.685	-96.104
Other administrative expenses	-143.444	-62.541
Total staff costs and administrative expenses	-331.258	-169.309
Number of employees		
Average number of employees during the half-year converted into full-time employees	474	284

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NOTES

(DKr. ' 000)

	1. half- year 2006	1. half- year 2005
5. Loss and provisions for bad debt		
Loss and provision for the period	-1.832	-79
Total loss and provision for bad debt	-1.832	-79

	30.06.2006	31.12.2005
6. Participating interest in affiliated undertakings		

Participating interest in affiliated undertakings comprise:

I.I. Real Estate A/S, Gentofte, ownership and voting rights 100%. Activity: Letting of business property.

Profit after tax for the half-year 2006, DKr. 172 thousand.

Saxo Soft A/S, Gentofte, ownership and voting rights 100%. Activity: Development and sale of software.

Profit after tax for the half-year 2006, DKr. 591 thousand.

Saxo Capital Markets Pte. Ltd., ownership and voting rights 100%. Activity: Capital markets services.

Profit after tax for the half-year 2006, 0 DKr.

7. Subordinated loan	149.156	74.614
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7-year loan from Deutsche Bank of EUR 10 million.

Interest rate is EURIBOR plus 2,5% p.a. The loan expires in June 2010.

Loan of EUR 10 million from FIH Erhvervsbank. Interest rate is EURIBOR plus 2.25% p.a.

for the first 5 years and EUROBOR plus 4.0% p.a. for the following 3 years. The loan expires in 2014.

The loans are 100% included in the core capital from the draw down date.

8. Contingent and contractual liabilities

Guarantees

Danish Guarantee Fund	3.245	2.752
Total guarantees	3.245	2.752

Other liabilities

Rent commitments, affiliated undertakings	12.913	14.139
Other rental and lease commitments	907.037	58.542
Total other liabilities	919.950	72.681

A proportion of the bank's deposits and bond holdings held with the investment brokers, banks and other credit institutions have been provided as security for the bank's margin requirements arising from the bank's financial trading with these institutions.