

# INTERIM REPORT FIRST HALF 2017



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## FINANCIAL REVIEW

Saxo Bank Group reported a net profit of DKK 229 million for the first six months of 2017, an increase of 45% compared to the first half of 2016. The inflow of clients' collateral from new and existing clients continued successfully in 2017, as clients' collateral deposits increased by DKK 16 billion from the end of first half of 2016 to a record high of DKK 98 billion by the end of the first half of 2017.

The Total capital ratio for the Group increased to 20.0% as of 30 June 2017 from 19.5% at the end of 2016, retaining a comfortable buffer compared to the capital requirement.

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

Despite general low volatility, operating income for the Group reached DKK 1.56 billion compared to DKK 1.46 billion as of 30 June 2016, an increase of 6.8% compared to the first half of 2016.

Staff costs and administrative expenses were DKK 1.1 billion for the Group, an increase of 9.3% compared to the first half of 2016 primarily due to cost recognised in connection with the restructuring announced mid-January 2017 and increased marketing spend.

EBITDA amounted to DKK 0.50 billion compared to DKK 0.43 billion in first half of 2016. Adjusted for special items, predominantly restructuring costs, adjusted EBITDA increased with 12.4% to DKK 0.55 billion as of 30 June 2017.

Impairment charges on loans and receivables etc. in the first half of 2017 were DKK 83 million lower than as of 30 June 2016, primarily due to less impairment related to lending in the subsidiary Saxo Privatbank A/S.

### Statement of Financial Position

The continued increase in clients' collateral deposits shows the strength of the business model. The cash inflow from clients' cash deposits is placed with counterparty banks, as well as in bonds and other interest-bearing assets.

#### KEY FIGURES AND RATIOS • SAXO BANK GROUP

(DKK million)	First half 2017	First half 2016	First half 2015 <sup>1)</sup>	First half 2014	First half 2013
Operating income	1,557.6	1,459.1	751.5	1,347.2	1,748.7
EBITDA	495.9	429.1	(297.0)	448.3	649.0
Adjusted EBITDA <sup>2)</sup>	550.4	489.6	515.9	383.5	733.2
Profit before tax	312.2	216.3	(592.5)	222.2	406.7
Net profit	229.5	158.2	(484.6)	156.4	266.7
Total equity	4,469.9	4,077.8	4,095.7	3,650.8	3,633.8
Total assets	40,845.9	36,797.1	38,161.6	29,832.0	27,915.4
Clients' collateral deposits	98,298.1	82,032.0	76,007.0	60,348.6	44,022.5
Assets under management (Wealth management)	13,038.0	14,052.0	14,205.0	13,573.6	13,587.7
Total capital ratio	20.0%	21.5%	19.4%	15.4%	16.2%
Return on equity before tax <sup>3)</sup>	14.0%	10.6 %	(30.2)%	12.4%	23.2%
Full-time-equivalent staff (end of period)	1,555	1,585	1,477	1,439	1,324
Hereof employed in India	472	421	324	296	237

<sup>1)</sup> Please note that the numbers for 2015 all include the effect of the Swiss event (except for Adjusted EBITDA).

<sup>2)</sup> For further details, please refer to page 25.

<sup>3)</sup> Annualised.

Please refer to Saxo Bank's Annual Report 2016 page 102 for definitions of key figures and ratios.

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

Total shareholders' equity increased by 6.2% in the first six months of 2017 to DKK 4.09 billion as of 30 June 2017, compared to DKK 3.85 billion at the end of 2016.

No events occurring after the reporting date have had significant impact on the financial position of the Bank or the Group.

## Capital & ICAAP

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

As of 30 June 2017, the Common Equity Tier 1 capital (CET1), Tier 1 capital and Total capital amounted to DKK 2.56 billion, DKK 2.90 billion and DKK 3.25 billion. This corresponds to a Common Equity Tier 1 ratio, a Tier 1 capital ratio and a Total capital ratio for the Group of 15.7%, 17.8% and 20.0% respectively after inclusion of the total comprehensive income for the first half of 2017. As of 31 December 2016 the corresponding ratios were 14.9%, 17.1% and 19.5% respectively.

The total Risk Exposure Amounts of the Group were DKK 16.3 billion as of 30 June 2017 compared with DKK 15.5 billion as of 31 December 2016.

As of 30 June 2017, DKK 7.8 million of subordinated debt issued by the Bank under previous regulation is included in the Tier 2 capital.

As of 30 June 2017, the Group's Internal Capital Adequacy Assessment Process (ICAAP) showed a capital requirement of 11.5% of Risk Exposure Amounts, equivalent to DKK 1.87 billion. The Common Equity Tier 1 excess capital was DKK 1.2 billion, corresponding to 7.1% of Risk Exposure Amounts.

The ICAAP Report Q2 2017 provides additional information regarding the Bank's and the Group's capital and capital requirements. The report is available at [www.home.saxo/about-us/investor-relations](http://www.home.saxo/about-us/investor-relations).

## Liquidity & ILAAP

CRD IV and CRR require the Saxo Bank Group to monitor and report a short-term Liquidity Coverage Ratio (LCR) and a long-term Net Stable Funding Ratio (NSFR). In Denmark, LCR will be phased in as a new minimum liquidity requirement, i.e. a gradual phasing in of 80% of the full requirement in 2017 and 100% in 2018.

As of 30 June 2017, the Group reported a LCR ratio of 222.5%, thereby already meeting the fully phased-in requirement of 100% in 2018.

Saxo Bank is required to hold liquidity at least equal to the current Internal Liquidity Adequacy Assessment Process (ILAAP) level as determined by the Board of Directors. This ILAAP level cannot be less than the current minimum regulatory requirements.

The ILAAP is performed annually, based on guidelines issued by the DFSA. As per the end of 2016, it is still concluded that the Bank has a safe operational setup within the liquidity area, and that the current level of liquidity is sufficient to uphold the Bank's operation and meet a prudent requirement under the LCR regime.

The fulfilment of the Danish liquidity Supervisory Diamond requirement is published in the Supervisory Diamond half year 2017 report available at [www.home.saxo/about-us/investor-relations](http://www.home.saxo/about-us/investor-relations).

## Risk Management

For a detailed description of the Group's significant risks and external conditions that may affect the Group, see the Annual Report 2016 and Risk Report 2016 or the quarterly ICAAP reports available at [www.home.saxo/about-us/investor-relations](http://www.home.saxo/about-us/investor-relations).

## Regulatory Environment

Saxo Bank A/S is required to comply with Danish regulation and EU regulation on Bank level and Group level. In addition, some of the Group's entities are financial institutions and are required to comply with local regulatory requirements.

Changes in supervision and regulation could potentially have a material effect on the Group's business, the products and services offered, or the value of its assets.

A list of the Bank's subsidiaries can be found in note 35 in the Group's Annual Report for 2016. Description of Saxo Bank's legal, management and organisational structure is also available at [www.home.saxo/about-us/investor-relations](http://www.home.saxo/about-us/investor-relations).

## Forthcoming Regulation

The regulatory landscape is expected to continue to undergo changes over the coming years.

In November 2016 the EU Commission published a proposal containing a package of legislative revisions of key parts of the banking regulation frameworks here amongst parts of CRR/CRD IV. The revision includes various implementations from Basel. Depending on the final calibration of the regulation and implementation in the EU, this may impact the Group's future level of Risk Exposure Amounts.

## IFRS 9

From 1 January 2018 the Group will implement IFRS 9, the new accounting standard for financial instruments. The standard provides principles for classification and measurement of financial instruments, including provisioning for expected credit losses.

For the Group the main impact of the standard is the introduction of a new expected credit loss impairment model requiring earlier recognition of credit losses. For loans and receivables at amortised cost the standard requires the Group to account for 12-month expected credit losses at the initial recognition and to make earlier recognition of lifetime expected credit losses.

The process of adjusting the Group's accounting processes in accordance with IFRS 9 is ongoing.

## MIFID II and MIFIR

The Markets in Financial Instruments Directive (MiFID II) and the Regulation on Markets in Financial Instruments (MiFIR) will be fully applicable from January 2018. MiFID II, which contains more than 5000 pages of regulation, includes provisions on reporting, trading in certain standardised OTC products, enhanced investor protection and transparency regulation, corporate governance and other operational requirements, as well as record keeping and the use of algorithmic trading.

Denmark has chosen to implement MiFID II with a partial ban on inducements, prohibiting investment firms to receive and retain inducements if offering portfolio management or independent investment advice, with effect from 1 July 2017, i.e. six months before the remaining MiFID II rules will apply.

Additional information about forthcoming regulation can be found in the Annual Report 2016 in the section "Regulatory Environment".

## OPERATIONAL REVIEW

When Saxo Bank's clients succeed, Saxo Bank succeeds and we have the incentive to work with our clients in a win-win relationship.

### Strategic Direction

Saxo Bank's strategy is founded on a vision of democratising trading and investment, and providing unparalleled access to global financial markets anytime, anywhere. The Bank's goal is to become the most professional and profitable facilitator in global capital markets, disrupting traditional business models and adding significant value for Saxo Bank's clients. With a heritage of more than 20 years as a disruptive technology provider in capital markets, Saxo Bank is in a good position to realise its vision and continue to level the playing field between retail investors and larger financial institutions. Innovative technology is a fundamental part of the Bank's DNA.

Saxo Bank's multi-asset product offering has been expanded continuously and the Bank's trading platforms have evolved to become some of the most advanced and widely recognised in the industry. Saxo Bank continues launching innovative solutions and utilising the newest technologies to enable today's investors, traders and wholesale clients to trade multiple assets and instruments in the global financial markets seamlessly on any device.

### Private Business

Saxo Bank's mission to enable private individuals in their investing and trading comes to life through Saxo Bank's technology, multi-asset offering and services. Therefore, Saxo Bank has continued to enhance both its product offering and platform features, so that private clients will be in even better control of their financial potential.

Enhancements launched in the first half of 2017 include, among others, an improved digital on-boarding process, allowing new clients to be on-boarded in a few minutes. The new solution has been launched in the UK and will be introduced in other jurisdictions during the second half of 2017.

Saxo Bank is on a continuous path of enhancing the client experience and meeting the individual needs, preferences and goals of investors and traders by offering and highlighting information selected to fit the individual client's needs and interests. An example of these efforts is the recently launched framework for sending tailored push notifications. Utilizing BigData and Artificial Intelligence, the aim is to support clients in their trading and investments by ensuring that they get relevant information in a timely manner. Measures have also been taken to significantly improve clients' capabilities in risk management through the platform, as well as expertise services.

### White Label Business

Saxo Bank offers its trading platform and trading technology to other financial institutions on a white label basis. Today, Saxo Bank services more than 120 such White Label partners.

Industry changes are pressuring traditional banks to evaluate their historical ownership of the full value chain and technology stack, as they struggle to keep up with the pace and cost of technological changes. Saxo Bank is seeing increased traction as a Fintech provider and, in parallel, an institution with a comprehensive understanding of banking infrastructure and regulatory matters, for traditional banks looking to outsource their technology needs. This is a key differentiator for Saxo Bank.

Partnering banks benefit from Saxo Bank's ongoing investments in platform innovation and product expansion. This enables Saxo Bank's White Label partners to increase trading volumes at a lower cost and faster time-to-market, while protecting their businesses in an industry landscape where keeping up with technological innovation is a key competitive differentiator.

Saxo Bank's White Label partners benefit from over two decades of innovation and proven technology which is fully tested and constantly refined for our own retail client base.

## Direct Institutional Business

Saxo Bank's institutional business spans trading, prime brokerage, liquidity optimisation and post-trade services. With regulatory requirements for major asset classes converging, Saxo Bank is ideally placed to offer trading capabilities, liquidity and post-trade service solutions to meet the needs of institutions and their clients.

The first half of 2017 shows a continued strong traction for Saxo Bank's FX Prime Brokerage and API Solution. Partnership deals have also been made with institutions, where Saxo Bank's OpenAPI technology plays a key role.

## Changes to Geographical Footprint

As part of Saxo Bank's focus on reducing cost and complexity, a revision of the organisation's geographical footprint has continued during the first half of 2017.

In March, Saxo Bank announced the closure of the sales office in Cyprus. In June, it was announced that the fully authorised and licensed broker, Saxo Capital Markets Menkul Değerler A.S. in Turkey, will be closed as well to reduce complexity in the organisation and bolster relationships with strong partners in Turkey.

## Products

Saxo Bank offers a wide range of assets and products for online trading including Over-The-Counter (OTC) FX and CFD products as well as exchange-traded funds (ETFs), stocks, futures and options from across the globe including:

- +100 FX currency pairs traded as Spot and
- +100 as Forward outrights
- 45 FX Options
- 11 NDFs
- +7,350 CFD Single Stocks
- 28 CFD Indices
- 19 CFD Commodities
- +19,000 Stocks
- +2,500 ETFs & ETCs
- +200 Futures
- +800 Stock Options
- +70 Contract Options
- +5,000 Bonds (plus 45,000 offline)

## Product Development and Pricing Changes

In 2016, Saxo Bank launched a fully digital bond trading solution, giving clients direct access to a universe of more than 5,000 bonds. In March, this bond universe was expanded to also include US corporate bonds as well as LATAM government and corporate bonds. These new markets are some of the most active in the world. Furthermore, a large portion of the added US corporate bonds are tradable down to lower sizes, making these bonds a better match for retail demands.

In March, Saxo Bank added mutual funds - as a new asset class - to its existing multi-asset offering. The initial launch had a narrow scope and is to be seen as a very first delivery in a series, enabling Saxo Bank to facilitate a White Label partner's trading flow in mutual funds. In early 2018, Saxo Bank expects to be able to allow direct clients and clients of IB and White Label partners to trade mutual funds via SaxoTraderGO.

An important part of democratising the world of investment and trading is to enable more people to take charge of the way they invest. Based on the improved scalability of the operational setup, Saxo Bank has decided to lower the minimum funding requirement globally. The new minimum funding requirement will be USD 2,000 (or equivalent), adjusting from the previous USD 10,000 (or equivalent).

The decision to implement the change globally was taken after digesting six months of data from the September 2016 pilot to reduce minimum funding in Denmark. The intention was to test if Saxo Bank would be able to attract more new trading clients without hurting the existing inflow of high-end clients, and the results have been positive. By the end of the first half of 2017, the new minimum funding requirements have been introduced globally, with South Africa and Turkey being the only exceptions.

## Saxo Bank drives Transparency, Integrity and Trust in the Sector

In June, Saxo Bank signed up to the FX Global Code of Conduct, started to publish Enhanced Disclosure and announced the decision to withdraw from the UK CFD and FX Association, a margin trading industry group.

Trading CFDs and FX instruments brings a number of advantages to retail investors that have previously been the preserve of larger financial institutions. However, trading these instruments also carries risks that warrant high industry standards and firm and fair regulation.

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

As one of the first banks, Saxo Bank signed up to the FX Global Code of Conduct, which is aimed at improving industry standards and promoting best practice among FX market participants. The Code is a result of an industry-wide initiative developed over two years through a partnership between central banks and FX market participants from 16 jurisdictions around the world.

The initiative aims to promote the integrity, trust and effective functioning of the global wholesale FX market.

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

The decision to leave the UK CFD and FX Association followed thorough considerations about consumer protection, in particular the recent proposal from the Financial Conduct Authority's (FCA) Consultation Paper (16/40). Saxo Bank has been supportive of the proposal and takes the lead in promoting higher standards in the margin trading industry.

Saxo Bank takes a prudent approach to leverage and welcomes the proposals from the FCA to set responsible boundaries on leverage that are in fact roughly in line with the maximum leverage used by active trading clients today.

## Trading Platforms

Throughout the first half of 2017, the development focus for SaxoTraderGO has been on supporting further scalability and performance enhancements. Among the new features is a new and enhanced 'My Account', offering full transparency on trade performance, portfolio performance and fees.

SaxoTraderGO is an intuitive multi-asset trading platform for retail private traders and investors, which was launched in 2015. It has been very well received by Saxo Bank's clients and is now the Bank's most widely-used platform.

Saxo Bank has started the development of a new platform for the professional traders. It will offer our advanced clients multi-screen support, advanced order management functions and new risk overviews.

## SaxoSelect

The global roll-out of SaxoSelect, the Bank's fully digital and automated investment service launched in 2016, has continued in the first half of 2017. This new product offering builds on the multi-asset execution capabilities that are the hallmark of Saxo Bank, and illustrates the power of Saxo Bank as a true Fintech company.

SaxoSelect enables clients of Saxo Bank to invest in pre-selected strategies in a real-time, fully transparent environment directly on their Saxo platform.

Building on a partnership with BlackRock, clients can invest in ETF-portfolios that offer a high level of diversification and low costs through SaxoSelect. The portfolios are built with ETFs from iShares and the portfolios are automatically balanced using research data developed by BlackRock.

Through collaboration with Morningstar, SaxoSelect also offers a value stock portfolio, a smart and cost-effective way to invest in a portfolio of 30 quality stocks based on Morningstar's Economic Moat™ Rating methodology and valuation research, which identifies stocks undervalued by the market.

SaxoSelect also offers more sophisticated investors the opportunity to invest in trading strategies that are pre-selected by Saxo Bank.

Saxo Bank A/S was licensed to offer SaxoSelect in 2016. During the first half of 2017, Saxo Bank has achieved licenses to offer SaxoSelect via Saxo Capital Markets Limited in the UK, as well as Saxo Bank AG in Switzerland.

SaxoSelect has captured the attention of numerous existing and new potential White Label partners and other types of institutional clients who see the relevance of SaxoSelect in the industry's current drive to digitalise investment management services. The first SaxoSelect solution for a White Label partner was launched in the first half of 2017.



## OUTLOOK 2017

### Saxo Privatbank/Retail Banking

Saxo Bank offers private and retail banking through Saxo Privatbank, a fully licensed Danish bank with branches across Denmark.

Saxo Privatbank focuses on private banking, offering full-service banking with special attention to investment advisory services. The core offering combines digital solutions for everyday banking transactions, as well as the ability to use advanced tools and services to make sound investment decisions, combined with 360-degree advisory services.

The core offering is an innovative integration of Saxo Bank's trading and investment platform with its third party banking infrastructure (SDC). The combined offering allows clients to use advanced order types and technical analysis, and provides access to more than 30 markets – also from pension accounts. The solution is accessible from PC, tablet and smartphone, and settings and workspaces are shared across devices.

The total value of cash deposits and investments by clients of Saxo Privatbank amounted to DKK 24.3 billion as of 30 June 2017. Of this amount, DKK 13.0 billion were investments managed by Saxo Wealth Management on behalf of clients, while DKK 7.9 billion was clients' direct investments in securities, with the remaining DKK 3.4 billion representing clients' cash deposits with Saxo Privatbank. The total balance of loans outstanding amounted to DKK 1.7 billion.

Saxo Bank expects that the global economy will continue to face some turmoil. In the remaining part of 2017, increased crosswinds in the international economic and political environment are expected to continue, which can translate to better conditions and opportunities for clients.

Market volatility has been at a low level in the first half of 2017, mainly contained by central bank action despite Brexit, European elections and the continued turmoil on the back of the outcome of the US election. Political risk is set to remain elevated, which is anticipated to increase volatility, thereby having a positive impact on market activity.

Overall, Saxo Bank continues to find the market situation hard to predict with continued low visibility. The situation remains uncertain until the effects of the continued roll-back of various quantitative easing programs, currently in effect, become clearer. Brexit will also have an impact on the stability of the European market.

Cost control, capital, liquidity, compliance and risk management remain ongoing focuses for Saxo Bank in 2017. With a close eye on overall cost development, Saxo Bank will continue to invest in products and platforms supporting both the trader and investor client segment. At the same time, focus continues on systems enhancements and efficiency gains through optimisation of the entire value chain.

Saxo Bank is still confident that the Group has a solid foundation for its operation in the second half of 2017.

### FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects are forward-looking statements. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict", "intend" or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. Saxo Bank has based these forward-looking statements on its current views with respect to future events, a number of risks and un-

certainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of Saxo Bank. Although Saxo Bank believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may differ materially. As a result, you should not rely on these forward-looking statements. Saxo Bank undertakes no obligation to update or revise any forward-looking statements.



# INTERIM FINANCIAL STATEMENTS

## **SAXO BANK GROUP**

## INCOME STATEMENT – SAXO BANK GROUP

Note	(1,000 DKK)	First half 2017	First half 2016
3	Interest income	787,865	612,812
4	Interest expense	(107,351)	(91,318)
	<b>Net interest income</b>	<b>680,514</b>	<b>521,494</b>
5	Fee and commission income	690,186	640,372
6	Fee and commission expense	(449,273)	(443,683)
	<b>Net interest, fees and commissions</b>	<b>921,427</b>	<b>718,183</b>
7	Price and exchange rate adjustments	636,153	740,912
	<b>Operating income</b>	<b>1,557,580</b>	<b>1,459,095</b>
	Other income	4,212	10,081
8	Staff costs and administrative expenses	(1,095,996)	(1,002,497)
	Depreciation, amortisation and impairment of intangible and tangible assets	(146,639)	(174,682)
	Other expenses	(18,420)	(3,897)
9	Impairment charges loans and receivables etc.	11,476	(71,839)
	<b>Profit before tax</b>	<b>312,213</b>	<b>216,261</b>
	Tax	(82,759)	(58,020)
	<b>Net profit</b>	<b>229,454</b>	<b>158,241</b>
	<b>Net profit attributable to:</b>		
	Shareholders of Saxo Bank A/S	227,565	156,382
	Additional tier 1 capital holders	16,187	16,233
	Non-controlling interests	(14,298)	(14,374)
	<b>Net profit</b>	<b>229,454</b>	<b>158,241</b>

## STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK GROUP

(1,000 DKK)	First half 2017	First half 2016
<b>Net profit</b>	<b>229,454</b>	<b>158,241</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to income statement:		
Actuarial gains/(losses)	11,596	(12,675)
Tax	(1,422)	2,500
Items that will not be reclassified subsequently to income statement	10,174	(10,175)
Items that are or may be reclassified subsequently to income statement:		
Exchange rate adjustments	(61,337)	(16,342)
Hedge of net investments in foreign entities	47,063	16,096
Fair value adjustment of cash flow hedges:		
Effective portion of changes in fair value	1,910	(18,839)
Net amount transferred to profit or loss	6,890	7,071
Tax	(12,348)	(1,011)
Items that are or may be reclassified subsequently to income statement	(17,822)	(13,025)
<b>Total other comprehensive income</b>	<b>(7,648)</b>	<b>(23,200)</b>
<b>Total comprehensive income</b>	<b>221,806</b>	<b>135,041</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of Saxo Bank A/S	219,917	133,182
Additional tier 1 capital holders	16,187	16,233
Non-controlling interests	(14,298)	(14,374)
<b>Total comprehensive income</b>	<b>221,806</b>	<b>135,041</b>

## STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP

Note	(1,000 DKK)	30 June 2017	31 Dec. 2016
<b>ASSETS</b>			
	Cash in hand and demand deposits with central banks	1,531,411	5,577,707
	Receivables from credit institutions and central banks	3,880,469	2,442,512
10	Trading assets	30,964,504	31,104,475
9	Loans and other receivables at amortised cost	1,713,191	1,691,487
	Current tax assets	9,912	8,687
12	Intangible assets	1,630,355	1,618,677
	Tangible assets	772,488	784,307
	Deferred tax assets	37,951	41,944
	Other assets	305,653	308,721
	<b>Total assets</b>	<b>40,845,934</b>	<b>43,578,517</b>
<b>LIABILITIES</b>			
	Debt to credit institutions and central banks	3,469,464	6,992,612
10	Trading liabilities	2,888,473	3,036,757
	Deposits	28,632,889	27,930,393
	Current tax liabilities	70,725	75,766
	Other liabilities	625,546	644,123
	Deferred tax liabilities	36,128	10,761
	Provisions	120,138	120,628
13	Subordinated debt	532,700	529,077
	<b>Total liabilities</b>	<b>36,376,063</b>	<b>39,340,117</b>
<b>EQUITY</b>			
	Share capital	68,284	68,284
	Translation reserve	212,432	237,061
	Hedging reserve	(45,660)	(52,467)
	Revaluation reserve	52,102	53,944
	Retained earnings	3,804,096	3,543,842
	<b>Shareholders of Saxo Bank A/S</b>	<b>4,091,254</b>	<b>3,850,664</b>
	Additional tier 1 capital	345,907	346,026
	Non-controlling interests	32,710	41,710
	<b>Total equity</b>	<b>4,469,871</b>	<b>4,238,400</b>
	<b>Total liabilities and equity</b>	<b>40,845,934</b>	<b>43,578,517</b>

## STATEMENT OF CHANGES IN EQUITY – SAXO BANK GROUP

(1,000 DKK)	Shareholders of Saxo Bank A/S						Additional tier 1 capital	Non-controlling interests	Total
	Share capital	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total			
<b>Equity at 1 January 2017</b>	<b>68,284</b>	<b>237,061</b>	<b>(52,467)</b>	<b>53,944</b>	<b>3,543,842</b>	<b>3,850,664</b>	<b>346,026</b>	<b>41,710</b>	<b>4,238,400</b>
Net profit	-	-	-	-	227,565	227,565	16,187	(14,298)	229,454
<b>Other comprehensive income</b>									
Exchange rate adjustments	-	(61,337)	-	-	-	(61,337)	-	-	(61,337)
Hedge of net investments in foreign entities	-	-	8,800	-	-	8,800	-	-	8,800
Fair value adjustment of cash flow hedges	-	47,063	-	-	-	47,063	-	-	47,063
Revaluation of domicile properties	-	-	-	(2,362)	2,362	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	11,596	11,596	-	-	11,596
Tax	-	(10,355)	(1,993)	520	(1,942)	(13,770)	-	-	(13,770)
Total other comprehensive income	-	(24,629)	6,807	(1,842)	12,016	(7,648)	-	-	(7,648)
<b>Total comprehensive income</b>	<b>-</b>	<b>(24,629)</b>	<b>6,807</b>	<b>(1,842)</b>	<b>239,581</b>	<b>219,917</b>	<b>16,187</b>	<b>(14,298)</b>	<b>221,806</b>
<b>Transactions with owners</b>									
Tier 1 interest payment	-	-	-	-	-	-	(16,306)	-	(16,306)
Share based payments	-	-	-	-	17,122	17,122	-	360	17,482
Transactions with non-controlling interests	-	-	-	-	(9)	(9)	-	4,938	4,929
Tax	-	-	-	-	3,560	3,560	-	-	3,560
<b>Equity at 30 June 2017</b>	<b>68,284</b>	<b>212,432</b>	<b>(45,660)</b>	<b>52,102</b>	<b>3,804,096</b>	<b>4,091,254</b>	<b>345,907</b>	<b>32,710</b>	<b>4,469,871</b>

(1,000 DKK)	Shareholders of Saxo Bank A/S						Additional tier 1 capital	Non-controlling interests	Total
	Share capital	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total			
<b>Equity at 1 January 2016</b>	<b>68,284</b>	<b>233,380</b>	<b>(52,320)</b>	<b>55,597</b>	<b>3,244,836</b>	<b>3,549,777</b>	<b>346,084</b>	<b>42,566</b>	<b>3,938,427</b>
Net profit	-	-	-	-	156,382	156,382	16,233	(14,374)	158,241
<b>Other comprehensive income</b>									
Exchange rate adjustments	-	(16,342)	-	-	-	(16,342)	-	-	(16,342)
Hedge of net investments in foreign entities	-	16,096	-	-	-	16,096	-	-	16,096
Fair value adjustment of cash flow hedges	-	-	(11,768)	-	-	(11,768)	-	-	(11,768)
Revaluation of domicile properties	-	-	-	(1,937)	1,937	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	(12,675)	(12,675)	-	-	(12,675)
Tax	-	(3,543)	2,532	450	2,050	1,489	-	-	1,489
Total other comprehensive income	-	(3,789)	(9,236)	(1,487)	(8,688)	(23,200)	-	-	(23,200)
<b>Total comprehensive income</b>	<b>-</b>	<b>(3,789)</b>	<b>(9,236)</b>	<b>(1,487)</b>	<b>147,694</b>	<b>133,182</b>	<b>16,233</b>	<b>(14,374)</b>	<b>135,041</b>
<b>Transactions with owners</b>									
Tier 1 interest payment	-	-	-	-	-	-	(16,373)	-	(16,373)
Share based payments	-	-	-	-	11,967	11,967	-	250	12,217
Transactions with non-controlling interests	-	-	-	-	-	-	-	4,888	4,888
Tax	-	-	-	-	3,571	3,571	-	-	3,571
<b>Equity at 30 June 2016</b>	<b>68,284</b>	<b>229,591</b>	<b>(61,556)</b>	<b>54,110</b>	<b>3,408,068</b>	<b>3,698,497</b>	<b>345,944</b>	<b>33,330</b>	<b>4,077,771</b>

## STATEMENT OF TOTAL CAPITAL – SAXO BANK GROUP

(1,000 DKK)	30 June 2017	31 Dec. 2016
<b>Tier 1 capital</b>		
Total equity 1 January excl. non-controlling interests	3,850,664	3,549,777
Net profit excl. non-controlling interests	243,752	328,054
Accrued interest (dividend) on Additional tier 1 capital	(12,626)	(32,643)
Share-based payments	17,122	15,420
Total other comprehensive income	(7,648)	(16,792)
Transactions with non-controlling interests	(9)	-
Change in Common equity tier 1 capital (CET1 capital)	-	(334)
Common equity tier 1 capital from subsidiaries	879	778
Hedging reserve	45,660	52,467
Intangible assets	(1,630,355)	(1,618,677)
Deferred tax liabilities, intangible assets	81,866	77,283
Deferred tax assets	(21,659)	(46,515)
Prudent valuation adjustments	(7,268)	(7,664)
<b>Common equity tier 1 capital (net after deduction)</b>	<b>2,560,378</b>	<b>2,301,154</b>
Additional tier 1 capital	334,802	334,802
Tier 1 capital from subsidiaries	100	98
<b>Total tier 1 capital</b>	<b>2,895,280</b>	<b>2,636,054</b>
<b>Tier 2 capital</b>		
Subordinated debt, new regulation	346,808	343,215
Subordinated debt, old regulation, reduced value	7,843	26,275
Tier 2 capital from subsidiaries	167	163
<b>Total tier 2 capital</b>	<b>354,818</b>	<b>369,653</b>
<b>Total capital</b>	<b>3,250,098</b>	<b>3,005,707</b>
<b>Risk exposure amounts</b>		
Credit risk	6,651,279	6,476,139
Market risk	4,505,208	3,837,350
Operational risk	5,133,479	5,136,766
<b>Total Risk exposure amounts</b>	<b>16,289,966</b>	<b>15,450,255</b>
Common equity tier 1 ratio	15.7%	14.9%
Tier 1 capital ratio	17.8%	17.1%
Total capital ratio	20.0%	19.5%

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.



## CASH FLOW STATEMENT – SAXO BANK GROUP

(1,000 DKK)	First half 2017	First half 2016
<b>Cash flow from operating activities</b>		
Profit before tax	312,213	216,261
Tax paid	(66,969)	(12,029)
<i>Adjustment for non-cash operating items:</i>		
Amortisation and impairment charges of intangible assets	125,079	150,878
Depreciation and impairment charges of tangible assets and investment properties	21,559	23,804
Loan impairment charges	(4,240)	78
Other non-cash operating items	28,522	(20,549)
<b>Total</b>	<b>416,164</b>	<b>358,443</b>
<i>Changes in operating capital:</i>		
Receivables from credit institutions and central banks	14,560	133
Derivative financial instruments	125,628	(153,810)
Loans and other receivables at amortised cost	(29,446)	43,199
Bonds	(166,742)	(2,637,464)
Other assets	(676)	(13,291)
Debt to credit institutions and central banks	(3,520,724)	531,765
Deposits	806,677	1,910,410
Provisions and other liabilities	(82,624)	26,472
<b>Cash flow from operating activities</b>	<b>(2,437,183)</b>	<b>65,857</b>
<b>Cash flow from investing activities</b>		
Divestment of businesses and other participating interests, net of cash	1,711	-
Acquisition of intangible and tangible assets	(154,300)	(117,200)
<b>Cash flow from investing activities</b>	<b>(152,589)</b>	<b>(117,200)</b>
<b>Cash flow from financing activities</b>		
Tier 1 interest payment	(16,306)	(16,373)
Transactions with non-controlling interests	4,972	4,990
Share-based payments	7,192	6,000
<b>Cash flow from financing activities</b>	<b>(4,142)</b>	<b>(5,383)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,593,914)</b>	<b>(56,726)</b>
Cash and cash equivalents at 1 January	8,005,794	4,538,710
<b>Cash and cash equivalents at 30 June</b>	<b>5,411,880</b>	<b>4,481,984</b>
<b>Cash and cash equivalents at 30 June</b>		
Cash in hand and demand deposits with central banks	1,531,411	1,824,262
Amounts due from credit institutions and central banks within three months	3,880,469	2,657,722
<b>Cash and cash equivalents at 30 June</b>	<b>5,411,880</b>	<b>4,481,984</b>

## NOTES – SAXO BANK GROUP

### Note

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#### 1 Accounting policies

The interim financial statements of Saxo Bank Group for the first half of 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim reports of financial institutions.

The interim report for the first half 2017 has not been subject to audit or review.

The Group has not changed its accounting policies compared to those applied in the Groups Annual Report 2016. Note 1 in the Groups Annual Report for 2016 provides a comprehensive description of the Group's accounting policies.

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency of Saxo Bank A/S. All amounts have been rounded to nearest DKK thousand, unless otherwise indicated.

#### 2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements of the Group requires management to make judgements, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of the Groups assets and liabilities, income and expenses.

Certain accounting policies are considered to be particularly important to the financial position of the Group, the majority of which relate to matters that are inherently uncertain.

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

- fair value measurement of financial instruments
- measurement of loans and other receivables
- measurement of goodwill and other intangible assets
- recognition and measurement of tax assets and liabilities
- measurement of domicile properties - revaluation

The estimates are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Note 2 in the Groups Annual Report for 2016 provide a comprehensive description of the Groups critical accounting estimates and judgements. Critical accounting estimates and judgements are the same as applied in the Groups Annual Report 2016.

## NOTES – SAXO BANK GROUP

Note	(1,000 DKK)	First half 2017	First half 2016
<b>3</b>	<b>Interest income</b>		
	Credit institutions and central banks	31,892	25,043
	Loans and other receivables	73,709	71,261
	Bonds	107,302	63,035
	Derivative financial instruments	573,726	452,544
	Other interest income	1,236	929
	<b>Total interest income</b>	<b>787,865</b>	<b>612,812</b>
<b>4</b>	<b>Interest expense</b>		
	Credit institutions and central banks	(36,522)	(30,013)
	Deposits	(5,631)	(6,755)
	Subordinated debt	(28,285)	(30,057)
	Derivative financial instruments	(36,213)	(24,493)
	Other interest expense	(700)	-
	<b>Total interest expense</b>	<b>(107,351)</b>	<b>(91,318)</b>
<b>5</b>	<b>Fee and commission income</b>		
	Trading with equities and derivative financial instruments	649,240	598,596
	Payment services fees	3,302	3,085
	Origination fees	16,874	14,733
	Guarantee commissions	659	909
	Asset management fees	6,462	8,032
	Other fee and commission income	13,649	15,017
	<b>Total fee and commission income</b>	<b>690,186</b>	<b>640,372</b>
<b>6</b>	<b>Fee and commission expense</b>		
	Trading with equities and derivative financial instruments	(449,273)	(443,683)
	<b>Total fee and commission expense</b>	<b>(449,273)</b>	<b>(443,683)</b>
<b>7</b>	<b>Price and exchange rate adjustments</b>		
	Bonds	(90,453)	(33,266)
	Equities	12	(192)
	Investment securities	(1,023)	(622)
	Foreign exchange	572,341	565,937
	Derivative financial instruments <sup>1)</sup>	155,476	209,083
	Investment properties	(200)	(28)
	<b>Total price and exchange rate adjustments</b>	<b>636,153</b>	<b>740,912</b>

1) Other than foreign exchange

## NOTES – SAXO BANK GROUP

Note (1,000 DKK)

### 8 Share-based payments

In first half of 2017, additional 1,640,025 warrants with a right to subscribe for shares in Saxo Bank A/S were sold to employees in Saxo Bank Group.

DKK 9.1 million regarding warrants was recognised as Staff costs and administrative expenses (30 June 2016: DKK 6.2 million) with a corresponding increase in equity. Consideration received for warrants sold is recognised directly in equity.

Note 33 in the Groups Annual Report for 2016 provides detailed information about warrants granted and not exercised as at 31 December 2016.

	30 June 2017	31 Dec. 2016
<b>9 Impairment charges loans and receivables etc.</b>		
<b>Individual impairment charges for loans, receivables and guarantees</b>		
Impairment charges at 1 January	185,827	126,084
Impairment for the period	14,152	86,451
Reversals of impairment from previous years	(11,372)	(7,662)
Other	1,602	1,314
Amounts written off	(82,261)	(20,360)
<b>Individual impairment charges for loans, receivables and guarantees, end of period</b>	<b>107,948</b>	<b>185,827</b>
<b>Collective impairment charges for loans, receivables and guarantees</b>		
Impairment charges at 1 January	26,348	9,635
Impairment for the period	1,003	16,999
Reversals of impairment from previous years	(7,469)	(286)
<b>Collective impairment charges for loans, receivables and guarantees, end of period</b>	<b>19,882</b>	<b>26,348</b>
<b>10 Trading assets and liabilities</b>		
Listed bonds	25,257,828	25,112,340
Derivative financial instruments with positive fair value	5,702,066	5,987,595
Other securities (unlisted)	4,610	4,540
<b>Total trading assets</b>	<b>30,964,504</b>	<b>31,104,475</b>
Derivative financial instruments with negative fair value	2,888,473	3,036,757
<b>Total trading liabilities</b>	<b>2,888,473</b>	<b>3,036,757</b>

## NOTES – SAXO BANK GROUP

Note (1,000 DKK)

### 11 Fair value hierarchy for financial instruments

	Quoted market price - Level 1	Observable input - Level 2	Non- observable input - Level 3	Total fair value	Total carrying amount
<b>30 June 2017</b>					
<b>Financial assets <sup>1)</sup></b>					
Trading portfolio bonds	25,257,828	-	-	25,257,828	25,257,828
Trading portfolio equities	1,610	-	3,000	4,610	4,610
Derivative financial instruments with positive value	1,831,685	3,605,387	264,994	5,702,066	5,702,066
Loans and other receivables at amortised cost	-	-	1,702,496	1,702,496	1,713,191
Investment securities	-	-	37,237	37,237	37,237
<b>Financial liabilities</b>					
Derivative financial instruments with negative value	1,514,788	1,373,685	-	2,888,473	2,888,473
Subordinated debt	-	-	504,427	504,427	532,700
<b>31 December 2016</b>					
<b>Financial assets <sup>1)</sup></b>					
Trading portfolio bonds	25,112,340	-	-	25,112,340	25,112,340
Trading portfolio equities	1,540	-	3,000	4,540	4,540
Derivative financial instruments with positive value	1,938,955	3,774,868	273,772	5,987,595	5,987,595
Loans and other receivables at amortised cost	-	-	1,681,757	1,681,757	1,691,487
Investment securities	-	-	36,890	36,890	36,890
<b>Financial liabilities</b>					
Derivative financial instruments with negative value	1,565,931	1,470,826	-	3,036,757	3,036,757
Subordinated debt	-	-	492,473	492,473	529,077

<sup>1)</sup> Trading portfolio bonds, equities and derivatives are presented in the statement of financial position as Trading assets and Trading liabilities, note 10.

#### Financial instruments measured at fair value

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices. Listed bonds, listed equities, futures, ETO's and CFD single equities are measured based on quoted prices (level 1).

If quoted prices for financial instruments fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established using interbank quoted prices or valuation techniques. Interbank quoted prices are generally provided by several other financial institutions. The Group applies valuation techniques for FX instruments. Valuation techniques used are option pricing models. In most cases the valuation is substantially based on observable input, such as interbank quoted prices and implied volatility (level 2).

Fair value for CFD contracts with clients where credit value adjustments are made, is established by using the same valuation techniques as for level 2. The fair value is adjusted for credit value adjustment based on the client's credit worthiness and fair value assessment of collateral received. Investment securities are primarily measured based on third party pricing information (level 3).

The Group has an ongoing process of assessing the best valuation technique and changes in the valuation process are implemented when relevant. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in transaction between market participants, at the measurement date.

## NOTES – SAXO BANK GROUP

Note (1,000 DKK)

### 11 Fair value hierarchy for financial instruments (continued)

#### 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.

Fair value of loans and other receivables is primarily estimated based on expected future payments, the basis of the difference between current market interest rate level and the agreed interest as well as the difference between the expected loss and incurred loss on the loans.

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

Financial instruments measured at fair value categorised into level 3 of the fair value hierarchy	30 June 2017	31 Dec. 2016
Fair value at 1 January	313,662	324,959
Additions	1,324	7,950
Disposals	(8,970)	(11,100)
Realised fair value adjustments recognised in income statement	4	(148)
Unrealised fair value adjustments recognised in income statement	(789)	(7,999)
<b>Fair value end of period</b>	<b>305,231</b>	<b>313,662</b>

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

At 30 June 2017, financial assets valued and recognised on the basis of non-observable input comprise:

- Client's open CFD contracts in level 3 after credit value adjustment amounts to DKK 265 million (31 December 2016: DKK 274 million). The accumulated unobservable credit value adjustment is DKK 444 million (31 December 2016: DKK 444 million). The fair value of DKK 265 million is fully covered by collateral of cash in foreign currency. The collateral is not subject to foreign currency exposure, as this is hedged.

- Investment securities DKK 37.2 million (31 December 2016: DKK 36.9 million).

A 20% increase or decrease in the fair value of investment securities measured based on non-observable input would result in a gain or loss of DKK 7.4 million (31 December 2016: DKK 7.4 million).



## NOTES – SAXO BANK GROUP

Note	(1,000 DKK)	30 June 2017	31 Dec. 2016
<b>14</b>	<b>Contingent and other contractual commitments</b>		
	<b>Guarantees</b>		
	Financial guarantees	238,663	193,147
	Mortgage finance guarantees	311,431	286,951
	Registration and remortgaging guarantees	176,322	170,952
	Other guarantees	253,256	197,415
	<b>Total guarantees</b>	<b>979,672</b>	<b>848,465</b>
	<b>Loan commitments etc.</b>		
	Other unutilised credit facilities	962,820	968,298
	<b>Total loan commitments etc.</b>	<b>962,820</b>	<b>968,298</b>
	<b>Other contractual commitments</b>		
	Other contractual commitments incl. operating leases	372,414	404,020
	<b>Total other contractual commitments</b>	<b>372,414</b>	<b>404,020</b>

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

Saxo Bank A/S is administration company in a Danish joint taxation. Saxo Bank A/S is jointly taxed with all Danish entities in Saxo Bank Group and is jointly and severally liable for payments of Danish corporate tax and withholding tax etc.

The Group is the lessee in a number of operating leases, involving mainly leasing of office premises and car leasing. Note 30 in the Groups Annual Report for 2016 provides information about the future operating lease payments.

### 15 Related parties

The nature of related-party transactions in the first half of 2017 are all of same nature as the ones disclosed in note 31 in the Groups Annual Report for 2016.

### 16 Assets deposited as collateral

Of the Group's bond holdings, bonds with a nominal value of DKK 4.7 billion (31 December 2016: DKK 4.8 billion), and a fair value of DKK 4.7 billion (31 December 2016: DKK 4.8 billion), are held in custody with institutions. The bonds serve as security for the Group's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Group's open positions against these institutions. At 30 June 2017, 18.5% (31 December 2016: 19.1%) of the Group's total fair value of bonds were held in custody.

Of deposits with investment brokers, banks and other credit institutions, DKK 881 million (31 December 2016: DKK 106 million) serve as collateral for the Group's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Group's open positions against these institutions.

The Group has placed cash DKK 80.8 million (31 December 2016: DKK 95 million) as security for an interest swap entered to hedge the Group's mortgage debt.

Debt to credit institutions is secured by mortgage deed of DKK 365 million (31 December 2016: DKK 365 million) on the Group's domicile property.



## NOTES – SAXO BANK GROUP

Note	(1,000 DKK)	First half 2017	First half 2016
<b>17</b>	<b>Key figures and ratios</b>		
	<b>Highlights</b>		
	Net interest, fees and commissions	921,427	718,183
	Price and exchange rate adjustments	636,153	740,912
	Staff costs and administrative expenses	(1,095,996)	(1,002,497)
	Impairment charges loans and receivables etc.	11,476	(71,839)
	Net profit	229,454	158,241
	Loans and other receivables at amortised cost	1,713,191	1,749,833
	Subordinated debt	532,700	674,738
	Total equity	4,469,871	4,077,771
	Total assets	40,845,934	36,797,077
	Full-time-equivalent staff (end of period)	1,555	1,585
	<b>EBITDA</b>		
	Net profit before tax adjusted for:	312,213	216,261
	Depreciation and amortisation	146,639	174,682
	Interest expenses, non-core	37,029	38,147
	<b>EBITDA</b>	495,881	429,090
	Impairment on loans and CVA adjustments	(22,818)	60,000
	Litigations, claims and restructuring	77,347	520
	<b>Adjusted EBITDA</b>	550,410	489,610
	<b>Key figures and ratios</b>		
	Total capital ratio	20.0%	21.5%
	Tier 1 capital ratio	17.8%	18.5%
	Return on equity before tax <sup>1)</sup>	14.0%	10.6 %
	Return on equity after tax <sup>1)</sup>	10.3%	7.7 %
	Income/cost ratio	125.0%	117.3%
	Interest rate risk	4.0%	3.7%
	Foreign exchange rate risk/Tier 1 capital	18.2%	27.7%
	Value at risk of foreign exchange rate risk/Tier 1 capital	0.1%	0.1%
	Loans and other receivables plus impairment charges/Deposits	6.4%	7.9%
	Loans and other receivables proportional to Total equity	0.38	0.43
	Growth in loans and other receivables	1.3 %	(2.4)%
	Additional liquidity/liquidity requirement	421.6%	399.4%
	Sum of large exposures/Total capital	-	-
	Loss and provisions ratio (loans and other receivables)	(0.4)%	2.6%
	Return on assets <sup>1)</sup>	1.1%	0.9 %

See definitions in Groups Annual Report 2016 page 102.

<sup>1)</sup>Annualised



# INTERIM FINANCIAL STATEMENTS

**SAXO BANK A/S**

## INCOME STATEMENT – SAXO BANK A/S

Note	(1,000 DKK)	First half 2017	First half 2016
2	Interest income	684,282	530,576
3	Interest expense	(92,641)	(77,228)
	<b>Net interest income</b>	<b>591,641</b>	<b>453,348</b>
	Fee and commission income	602,564	573,448
	Fee and commission expense	(849,254)	(841,960)
	<b>Net interest, fees and commissions</b>	<b>344,951</b>	<b>184,836</b>
4	Price and exchange rate adjustments	624,890	735,533
	<b>Operating income</b>	<b>969,841</b>	<b>920,369</b>
	Other income	19,121	21,686
5	Staff costs and administrative expenses	(701,109)	(647,647)
	Depreciation, amortisation and impairment of intangible and tangible assets	(142,102)	(171,543)
	Other expenses	(17,808)	(1,943)
6	Impairment charges loans and receivables etc.	7,231	(25,126)
	Income from subsidiaries	152,325	106,551
	<b>Profit before tax</b>	<b>287,499</b>	<b>202,347</b>
	Tax	(43,747)	(29,732)
	<b>Net profit</b>	<b>243,752</b>	<b>172,615</b>
	<b>Net profit attributable to:</b>		
	Equity method reserve	137,743	35,795
	Additional tier 1 capital holders	16,187	16,233
	Retained earnings	89,822	120,587
	<b>Net profit</b>	<b>243,752</b>	<b>172,615</b>

## STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK A/S

(1,000 DKK)	First half 2017	First half 2016
<b>Net profit</b>	<b>243,752</b>	<b>172,615</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to income statement:		
Other comprehensive income from subsidiaries, net of tax	-	(10,198)
Items that will not be reclassified subsequently to income statement	-	(10,198)
Items that are or may be reclassified subsequently to income statement:		
Exchange rate adjustments	(61,337)	(16,342)
Hedge of net investments in foreign entities	47,063	16,096
Other comprehensive income from subsidiaries, net of tax	16,980	(9,213)
Tax	(10,354)	(3,543)
Items that are or may be reclassified subsequently to income statement	(7,648)	(13,002)
<b>Total other comprehensive income</b>	<b>(7,648)</b>	<b>(23,200)</b>
<b>Total comprehensive income</b>	<b>236,104</b>	<b>149,415</b>
<b>Total comprehensive income attributable to:</b>		
Equity method reserve	130,095	12,595
Additional tier 1 capital holders	16,187	16,233
Retained earnings	89,822	120,587
<b>Total comprehensive income</b>	<b>236,104</b>	<b>149,415</b>

## STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S

Note	(1,000 DKK)	30 June 2017	31 Dec. 2016
<b>ASSETS</b>			
	Cash in hand and demand deposits with central banks	83,292	4,025,912
	Receivables from credit institutions and central banks	1,486,652	375,600
6	Loans and other receivables at amortised cost	82,156	102,261
	Bonds at fair value	22,909,721	23,024,327
	Equities etc.	4,301	4,624
	Investments in subsidiaries	2,058,499	1,946,498
	Intangible assets	1,634,465	1,635,863
	Tangible assets	56,108	64,891
	Tax receivables	4,634	3,142
	Deferred tax assets	6,063	2,192
	Other assets	5,763,281	6,143,389
	Prepayments	48,770	43,591
	<b>Total assets</b>	<b>34,137,942</b>	<b>37,372,290</b>
<b>LIABILITIES</b>			
	Debt to credit institutions and central banks	5,257,379	8,888,838
	Deposits	20,587,142	20,205,894
	Tax liabilities	46,907	51,315
	Other liabilities	3,138,973	3,374,317
	<b>Total debt</b>	<b>29,030,401</b>	<b>32,520,364</b>
	Deferred tax liabilities	33,546	14,169
	Provisions for impairment on guarantees	9,970	23,000
	Other provisions	93,596	88,423
	<b>Total provisions</b>	<b>137,112</b>	<b>125,592</b>
	<b>Subordinated debt</b>	<b>532,700</b>	<b>529,077</b>
<b>EQUITY</b>			
	Share capital	68,284	68,284
	Equity method reserve	356,259	225,802
	Retained earnings	3,667,279	3,557,145
	<b>Shareholders of Saxo Bank A/S</b>	<b>4,091,822</b>	<b>3,851,231</b>
	Additional tier 1 capital	345,907	346,026
	<b>Total equity</b>	<b>4,437,729</b>	<b>4,197,257</b>
	<b>Total liabilities and equity</b>	<b>34,137,942</b>	<b>37,372,290</b>

## STATEMENT OF CHANGES IN EQUITY – SAXO BANK A/S

(1,000 DKK)	Share capital	Equity method reserve	Retained earnings	Total	Additional tier 1 capital	Total
<b>Equity at 1 January 2017</b>	<b>68,284</b>	<b>225,802</b>	<b>3,557,145</b>	<b>3,851,231</b>	<b>346,026</b>	<b>4,197,257</b>
Net profit	-	137,743	89,822	227,565	16,187	243,752
<b>Other comprehensive income</b>						
Exchange rate adjustments	-	(61,337)	-	(61,337)	-	(61,337)
Hedge of net investments in foreign entities	-	47,063	-	47,063	-	47,063
Other comprehensive income from subsidiaries, net of tax	-	16,980	-	16,980	-	16,980
Tax	-	(10,354)	-	(10,354)	-	(10,354)
Total other comprehensive income	-	(7,648)	-	(7,648)	-	(7,648)
<b>Total comprehensive income</b>	<b>-</b>	<b>130,095</b>	<b>89,822</b>	<b>219,917</b>	<b>16,187</b>	<b>236,104</b>
<b>Transactions with owners</b>						
Tier 1 interest payment	-	-	-	-	(16,306)	(16,306)
Share-based payments	-	362	16,761	17,123	-	17,123
Tax	-	-	3,560	3,560	-	3,560
<b>Equity at 30 June 2017</b>	<b>68,284</b>	<b>356,259</b>	<b>3,667,279</b>	<b>4,091,822</b>	<b>345,907</b>	<b>4,437,729</b>

(1,000 DKK)	Share capital	Equity method reserve	Retained earnings	Total	Additional tier 1 capital	Total
<b>Equity at 1 January 2016</b>	<b>68,284</b>	<b>136,539</b>	<b>3,345,522</b>	<b>3,550,345</b>	<b>346,084</b>	<b>3,896,429</b>
Net profit	-	35,795	120,587	156,382	16,233	172,615
<b>Other comprehensive income</b>						
Exchange rate adjustments	-	(16,342)	-	(16,342)	-	(16,342)
Hedge of net investments in foreign entities	-	16,096	-	16,096	-	16,096
Other comprehensive income from subsidiaries, net of tax	-	(19,411)	-	(19,411)	-	(19,411)
Tax	-	(3,543)	-	(3,543)	-	(3,543)
Total other comprehensive income	-	(23,200)	-	(23,200)	-	(23,200)
<b>Total comprehensive income</b>	<b>-</b>	<b>12,595</b>	<b>120,587</b>	<b>133,182</b>	<b>16,233</b>	<b>149,415</b>
<b>Transactions with owners</b>						
Tier 1 interest payment	-	-	-	-	(16,373)	(16,373)
Share-based payments	-	252	11,715	11,967	-	11,967
Increase in share capital	-	-	-	-	-	-
Tax	-	-	3,571	3,571	-	3,571
<b>Equity at 30 June 2016</b>	<b>68,284</b>	<b>149,386</b>	<b>3,481,395</b>	<b>3,699,065</b>	<b>345,944</b>	<b>4,045,009</b>

## STATEMENT OF TOTAL CAPITAL – SAXO BANK A/S

(1,000 DKK)	30 June 2017	31 Dec. 2016
<b>Tier 1 capital</b>		
Total equity 1 January	3,851,231	3,550,345
Net profit	243,752	328,054
Accrued interest (dividend) on Additional tier 1 capital	(12,627)	(32,643)
Transactions with non-controlling interests	(9)	-
Share-based payments	17,123	15,420
Total other comprehensive income	(7,648)	(16,792)
Change in Common equity tier 1 capital (CET1 capital)	-	(334)
Intangible assets	(1,634,465)	(1,635,863)
Deferred tax liabilities, intangible assets	86,152	83,199
Deferred tax assets	-	(16,112)
Prudent valuation adjustments	(2,289)	(2,953)
<b>Common equity tier 1 capital (net after deduction)</b>	<b>2,541,220</b>	<b>2,272,321</b>
Additional tier 1 capital	334,802	334,802
<b>Total tier 1 capital</b>	<b>2,876,022</b>	<b>2,607,123</b>
<b>Tier 2 capital</b>		
Subordinated debt, new regulation	346,808	343,215
Subordinated debt, old regulation, reduced value	7,843	26,275
<b>Total tier 2 capital</b>	<b>354,651</b>	<b>369,490</b>
<b>Total capital</b>	<b>3,230,673</b>	<b>2,976,613</b>
<b>Risk exposure amounts</b>		
Credit risk	5,658,992	5,404,426
Market risk	4,160,967	3,452,321
Operational risk	3,239,451	3,232,306
<b>Total risk exposure amounts</b>	<b>13,059,410</b>	<b>12,089,053</b>
Common equity tier 1 ratio	19.5%	18.8%
Tier 1 capital ratio	22.0%	21.6%
Total capital ratio	24.7%	24.6%

The 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.



## NOTES – SAXO BANK A/S

Note (1,000 DKK)

### 1 Accounting policies

The interim financial statements of Saxo Bank A/S for the first half of 2017 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 interim report has not been subject to audit or review.

The accounting policies for recognition and measurement are unchanged compared to those applied in the Annual Report 2016.

	First half 2017	First half 2016
<b>2 Interest income</b>		
Credit institutions and central banks	8,900	8,554
Loans and other receivables	37,010	43,275
Bonds	103,299	58,422
Derivative financial instruments	535,073	420,325
<b>Total interest income</b>	<b>684,282</b>	<b>530,576</b>
<b>3 Interest expense</b>		
Credit institutions and central banks	(20,307)	(17,747)
Deposits	(7,204)	(5,084)
Subordinated debt	(28,285)	(30,057)
Derivative financial instruments	(36,084)	(24,340)
Other interest expense	(761)	-
<b>Total interest expense</b>	<b>(92,641)</b>	<b>(77,228)</b>
<b>4 Price and exchange rate adjustments</b>		
Bonds	(98,477)	(36,449)
Foreign exchange	572,187	561,398
Derivative financial instruments <sup>1)</sup>	151,180	210,584
<b>Total price and exchange rate adjustments</b>	<b>624,890</b>	<b>735,533</b>

<sup>1)</sup> Other than foreign exchange

### 5 Share-based payments

Warrants have been sold in first half of 2017. Information is disclosed in note 8 Share-based payments in the consolidated financial statements.

## NOTES – SAXO BANK A/S

Note	(1,000 DKK)	30 June 2017	31 Dec. 2016
<b>6</b>	<b>Impairment charges loans and receivables etc.</b>		
	<b>Individual impairment charges for loans, receivables and guarantees</b>		
	Impairment charges at 1 January	15,239	3,260
	Impairment for the period	604	11,979
	Reversals of impairment from previous years	(141)	-
	Amounts written off	(9,970)	-
	<b>Individual impairment charges for loans, receivables and guarantees, end of period</b>	<b>5,732</b>	<b>15,239</b>
	No individual impairment charges for receivables from credit institutions and central banks have been recognised at 30 June 2017 (31 December 2016: DKK 0 million).		
<b>7</b>	<b>Contingent and other contractual commitments</b>		
	<b>Guarantees</b>		
	Financial guarantees	121,005	139,339
	Guarantees issued to subsidiaries	26,799	27,000
	Other guarantees	8,379	7,287
	<b>Total guarantees</b>	<b>156,183</b>	<b>173,626</b>
	<b>Other contractual commitments</b>		
	Rent commitments towards subsidiaries	453,424	467,571
	Other contractual commitments incl. operating leases	172,683	176,105
	<b>Total other contractual commitments</b>	<b>626,107</b>	<b>643,676</b>

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

Saxo Bank A/S has issued a letter of undertaking to the Monetary Authorities in Singapore concerning Saxo Capital Markets Pte. Ltd. The effect has been included in Financial guarantees above.

Saxo Bank A/S has issued a letter of undertaking to the Monetary Authorities in Hong Kong concerning Saxo Capital Markets HK Ltd.

Saxo Bank A/S is administration company in a Danish joint taxation. Saxo Bank A/S is jointly taxed with all Danish entities in Saxo Bank Group and is jointly and severally liable for payments of Danish corporate tax and withholding tax etc.

### 8 Related parties

The nature of related-party transactions in the first half of 2017 are all of same nature as the ones disclosed in note 21 in the Groups Annual Report for 2016.

### 9 Assets deposited as collateral

Of the Bank's bond holdings bonds with a nominal value of DKK 4.7 billion (31 December 2016: DKK 4.8 billion), and a fair value of DKK 4.7 billion (31 December 2016: DKK 4.8 billion), are held in custody with institutions. The bonds serve as security for the Bank's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Bank's open positions against these institutions. At 30 June 2017, 20.4% (31 December 2016: 21%) of the Bank's total fair value of bonds were held in custody.

Of deposits with investment brokers, banks and other credit institutions, DKK 881 million (31 December 2016: DKK 106 million) serve as collateral for the Bank's ongoing financial business with the individual institutions. The actual demand for collateral varies from day to day in line with the fair value of the Bank's open positions against these institutions.

## NOTES – SAXO BANK A/S

Note	(1,000 DKK)	First half 2017	First half 2016
<b>10</b>	<b>Key figures and ratios</b>		
	<b>Highlights</b>		
	Net interest, fees and commissions	344,951	184,836
	Price and exchange rate adjustments	624,890	735,533
	Staff costs and administrative expenses	(701,109)	(647,647)
	Impairment charges loans and receivables etc.	7,231	(25,126)
	Income from subsidiaries	152,325	106,551
	Net profit	243,752	172,615
	Loans and other receivables at amortised cost	82,156	45,657
	Subordinated debt	532,700	674,738
	Total equity	4,437,729	4,045,009
	Total assets	34,137,942	30,713,755
	Full-time-equivalent staff (avg.)	1,059	839
	<b>Key figures and ratios</b>		
	Total capital ratio	24.7%	27.8%
	Tier 1 capital ratio	22.0%	23.9%
	Return on equity before tax <sup>1)</sup>	13.0%	10.0 %
	Return on equity after tax <sup>1)</sup>	11.0%	8.5 %
	Income/cost ratio	133.7%	123.9%
	Interest rate risk	4.3%	4.2%
	Foreign exchange rate risk/Tier 1 capital	15.5%	24.7%
	Value at risk of foreign exchange rate risk/Tier 1 capital	0.1%	0.1%
	Loans and other receivables plus impairment charges/Deposits	0.4%	0.3%
	Loans and other receivables proportional to Total equity	0.02	0.01
	Growth in loans and other receivables	(19.7)%	18.4 %
	Additional liquidity/liquidity requirement	388.3%	366.3%
	Sum of large exposures/Total capital	-	-
	Loss and provisions ratio (loans and other receivables)	(2.8)%	7.5%
	Return on assets <sup>1)</sup>	1.4%	1.1 %

See definitions in the Groups Annual Report 2016 page 102.

<sup>1)</sup>Annualised

## STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management have considered and approved the interim report first half 2017 of Saxo Bank Group and the Parent Company.

The consolidated interim financial statements for the first half of 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and the Parent Company's interim financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the interim report has been prepared in accordance with Danish disclosure requirements for interim reports of financial institutions.

In our opinion, the interim 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 30 June 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period 1 January - 30 June 2017.

Moreover, in our opinion, the Management's Report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 30 August 2017

## BOARD OF MANAGEMENT

Kim Fournais  
CEO and Co-founder

Søren Kyhl  
Group Chief Operating Officer

Steen Blaaufalk  
Group Chief Financial and Risk Officer

## BOARD OF DIRECTORS

Lone Fønss Schrøder  
Chairman of the Board

Henrik Normann  
Vice Chairman of the Board

Asiff S. Hirji

Wikawi Oei

Jacob Polny

Thomas Plenborg

## COMPANY INFORMATION

### Company

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2900 Hellerup Denmark  
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Fax: +45 3977 4200  
Reg. No.: 1149  
CVR No.: 15 73 12 49  
Website: [www.home.saxo](http://www.home.saxo)

### Board of Directors

Lone Fønss Schrøder	Chairman of the Board
Henrik Normann	Vice Chairman of the Board
Asiff S. Hirji	Member of the Board
Jacob Polny	Member of the Board
Thomas Plenborg	Member of the Board
Wikawi Oei	Member of the Board

### Board of Management

Kim Fournais	CEO and Co-founder
Steen Blaa Falk	Group Chief Financial and Risk Officer
Søren Kyhl	Group Chief Operating Officer

### Shareholders

The following shareholders (in alphabetic order) have registered shareholdings of more than 5% of the Bank's share capital:

Fournais Holding A/S, DK-2850 Nærum, Denmark.  
Gold Shine Investment Holding Pte. Ltd., S-048616, Singapore.  
Seier Capital A/S, DK-1256 Copenhagen, Denmark.  
TPG Merl Sarl, L-2453, Luxembourg.