

INTERIM REPORT FIRST HALF 2018



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FINANCIAL REVIEW

Saxo Bank Group reported a net profit of DKK 150 million for the first six months of 2018. The inflow of clients' collateral from new and existing clients continued successfully in 2018, as clients' collateral deposits increased by DKK 7 billion from the end of 2017 to a record high of DKK 110 billion by the end of the first half of 2018.

The Total capital ratio for the Group increased to 28.3% as of 30 June 2018 from 22.7% at the end of 2017, retaining a comfortable buffer compared to the capital requirement.

Market volatility across the financial markets has been low in the first half of 2018 with the VIX index and FX volatilities trading being close to all-time lows.

Despite general low volatility and the introduction of a new competitive pricing structure, operating income for the Group reached DKK 1.51 billion compared to DKK 1.56 billion as of 30 June 2017, a slight decrease of 0.3%.

Staff costs and administrative expenses were DKK 1.1 billion for the Group, an increase of 3.0% compared to the first half of 2017 primarily due to continuous investments in our core offering and further streamlining of the business model.

EBITDA amounted to DKK 398 million compared to DKK 496 million in first half of 2017. Adjusted for special items, predominantly restructuring costs, adjusted EBITDA was DKK 431 million in the first half of 2018.

Impairment charges on loans and receivables etc. in the first half of 2018 were DKK 18 million lower than as of 30 June 2017, primarily due to the disposal of the retail bank and wealth management activities in Saxo Privatbank A/S in April 2018.

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 2018	First half 2017	First half 2016	First half 2015 ¹⁾	First half 2014
Operating income	1,506.4	1,557.6	1,459.1	751.5	1,347.2
EBITDA	397.9	495.9	429.1	(297.0)	448.3
Adjusted EBITDA ²⁾	431.2	550.4	489.6	515.9	383.5
Profit before tax	209.4	312.2	216.3	(592.5)	222.2
Net profit	149.7	229.5	158.2	(484.6)	156.4
Total equity	4,763.3	4,469.9	4,077.8	4,095.7	3,650.8
Total assets	38,771.6	40,845.9	36,797.1	38,161.6	29,832.0
Clients' collateral deposits	110,435.0	98,298.1	82,032.0	76,007.0	60,348.6
Total capital ratio	28.4%	20.0%	21.5%	19.4%	15.4%
Return on equity before tax ³⁾	8.9%	14.0 %	10.6 %	-30.2%	12.4%
Full-time-equivalent staff (end of period)	1,619	1,555	1,585	1,477	1,439
Hereof employed in India	535	472	421	324	296

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

²⁾ For further details, please refer to note 18.

³⁾ Annualised.

Please refer to Saxo Bank's Annual Report 2017 page 96 for definitions of key figures and ratios.

OPERATIONAL REVIEW

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 3.4% in the first six months of 2018 to DKK 4.38 billion as of 30 June 2018, compared to DKK 4.24 billion by the end of 2017.

Saxo Bank A/S has in July 2018 signed a sales purchase agreement regarding its shares in B Circle Holding S.A. (owns 100% of the shares in Saxo Payment A/S). The transaction is expected to be finalised in the second half of 2018, pending regulatory approval. Further details on impact disclosed in note 17.

In April, Saxo Bank completed the sale of the retail bank and wealth management activities in Saxo Privatbank A/S. Further details on the effect on the Groups assets and liabilities are disclosed in note 16.

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 vision is to democratise trading and investment by providing clients with unparalleled access to global financial markets through the best products, platforms, price and services. The opportunity to take control of one's financial destiny has historically been confined to a select few and that is what Saxo Bank aims to change: everyone should have the freedom to control their investments and plan their savings to support their goals.

Saxo Bank was a fintech long before the term was invented and with a heritage of more than 25 years as a technology driven disrupter in capital markets, Saxo Bank continues to deliver on its vision and level the playing field in financial services. Saxo Bank's unparalleled multi-asset product offering has been expanded continuously and the Bank's trading and investment platforms have evolved to become some of the most advanced and user friendly, reaping many awards and much recognition throughout the years.

Based on a state of the art technology platform and a scalable operational setup governed by prudent risk and capital management and competing on product, platform, price and service, Saxo Bank aims to accelerate growth by being the preferred facilitator for traders, investors and wholesale clients.

Direct Business

Saxo Bank's Direct business has been expanding during the first half of 2018. The Bank has experienced a record high number of Direct trading clients and a record high number of new Direct trading clients, which is up by 17% and 70% respectively compared to last year.

Saxo Bank strives to offer the market's best combined value proposition on product, platform, price and service in order to keep democratising trading and investment, providing traders and investors with the same professional tools and market access as fund managers and large financial institutions.

In 2018 Saxo Bank continued to improve the digital on-boarding process, allowing new clients to be on-boarded in a few minutes. Furthermore, the use of big data and artificial intelligence is becoming a more and more integrated part throughout Saxo Bank's value chain, both

when attracting new clients and by exposing existing clients to relevant and timely platform content tailored to the specific client needs and interests.

Within Direct business the focus is two-fold as Saxo Bank is catering for both the more active traders and for the investors.

Traders include individuals and institutional clients trading various asset classes utilizing advanced technical and fundamental analysis for educated trading decisions. The broad universe of traders includes private and corporate clients as well as institutions who seek to trade actively at competitive prices to generate positive returns. Launched in April, SaxoTraderPRO provides active traders with unparalleled access to global capital markets combined with a high level of control through advanced trading tools, fast and reliable execution and extensive options for customizations to fit their individual trading needs.

Investors represent an increasing percentage of Saxo Bank's client base. This segment is generally characterized by a longer term investment horizon, less frequent trading, lower risk profile and a mixed use of self-directed investing and use of discretionary portfolio management services. Saxo Bank has continued to strengthen the investor offering by adding mutual funds to the platform and partnering with Nasdaq to introduce Nasdaq DW Global Momentum as a new digital investment portfolio in SaxoSelect.

Wholesale

Expanding Saxo Bank's global reach by leveraging the truly scalable technology stack through the Bank's partner business is a key priority.

Wholesale clients include traditional financial services providers who use Saxo Bank to facilitate trading and execution as well as services from digital marketing to post trading services. This segment also includes technology entrants who want to leverage Saxo Bank's infrastructure to onboard and manage client assets. In both cases Saxo Bank holds a B2B relationship with these partners, who on their part hold a B2C relationship with their clients, who again fall into the categories of traders and investors.

Delivering 'Banking as a Service' Saxo Bank was one of the first financial institutions to give access to its trading infrastructure through the Bank's RESTbased Open API. This advanced APIbased trading solution, branded as Saxo Direct, allows partners, clients and external developers to access over 25 years of trading infrastructure innovation.

Today, Saxo Bank is the professional partner to more than 300 banks, brokers and financial service providers and has recently announced two new large partnerships with Banca Generali in Italy and Alm. Brand Bank in Denmark.

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 2018.

In 2017, it was announced that the fully authorised and licensed broker, Saxo Capital Markets Menkul Değerler A.S. in Turkey, will be closed. The closure of the activities is progressing according to plan. All remaining clients and their assets have been transferred to the local repository.

In April, Saxo Bank announced the sale of Saxo Capital Markets South Africa (SCMSA) to Sasfin Holdings Limited (Sasfin), a bank-controlling company that provides various financial products and services in South Africa, and to the current management of SCMSA. Following the migration of the activities to Sasfin, the parties will continue to collaborate, leveraging Saxo Bank's unique technology and global market access. Clients of Saxo's South African subsidiary will therefore continue to have access to the same services and products as before.

In April, Saxo Bank completed the sale of the retail bank and wealth management activities in Saxo Privatbank A/S.

In July Saxo Bank announced the sale of shares in Saxo Payments Banking Circle to the Swedish private equity group EQT.

Saxo Bank drives Transparency, Integrity and Trust in the Sector

In March, Saxo Bank publicly announced support for ESMA's recently announced measures in relation to the provision of CFDs to retail clients. The measures include caps on leverage which Saxo Bank considers fair and proportionate. Saxo Bank expects these measures to be positive for clients and result in a more level playing field among EU providers offering margin trading, which will in turn move the competitive focus away from leverage and towards the quality of platform, price, product and service.

Saxo Bank welcomes and supports the measures set forth by ESMA and believes that consistent, harmonized regulation at an European level will be positive for clients and the industry as a whole. Through these measures, ESMA is creating better alignment between leverage levels and market conditions which is very important and we find the proposed caps on leverage fair and proportionate.

Saxo Bank has made a clear strategic decision not to compete on high leverage which positions the bank well to maintain and grow the business in this new regulatory environment.

Saxo Bank's approach and business model clearly show that running a profitable business and being a responsible market participant is not mutually exclusive. For the benefit of its long-term survival, the industry should welcome the move away from competition on leverage and embrace competition on quality of platform, price, product and service.

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:

182	currency pairs traded as Spot
40	FX Forward outright
12	NDFs
+7,300	CFD Single Stocks
25	CFD Indices
25	CFD Commodities
8	CFD Interest Rates & Bonds
7	CFD FX
+14,500	stocks
+4,500	ETFs, ETCs and ETNs
+200	Futures
+1,200	Listed options (stock, futures and index options)
+5,000	Bonds

Product Development

In 2017, Saxo Bank added mutual funds - as a new asset class - to its existing multi-asset offering. The initial launch had a narrow scope and was 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 January, Saxo Bank launched an enhanced mutual funds offering to another White Label partner in Spain allowing their clients to trade mutual funds via SaxoTraderGO.

In May, Saxo Bank's direct clients in Denmark got access to invest in 122 funds from 18 fund managers via SaxoTraderGO.

The funds are spread across 68 different Morningstar categories. They are all UCITS funds and have exposure to areas such as Global Equity, Japan Equity, Euro Fixed Income, High Yield Fixed Income as well as more specific sectors; Natural Resources and Precious Metals.

In June, the scope of countries where Saxo Bank offers mutual funds for Saxo Bank A/S clients was expanded to also include; Germany, Sweden, Luxembourg, Belgium, Austria and Finland. The clients in these countries are now able to access 126 international mutual funds via SaxoTraderGO.

Also in June, Saxo Bank announced that clients now have access to trade China A-shares at very competitive prices. Clients will have access to A-shares listed on the Shanghai and Shenzhen stock exchanges via the Hong Kong Stock Connect link.

Hong Kong Stock Connect is a mutual partnership between the Hong Kong Stock Exchange and Shanghai/Shenzhen exchanges, which supports clients investing in companies listed in mainland China.

The addition of China A-shares strengthens Saxo Bank's offering to traders and investors and is a major milestone in building the product range for Saxo Bank to be a "gateway" to Chinese markets. Clients of Saxo Capital Markets in UK and Saxo Capital Markets in Japan, respectively, have not access to China A-shares.

Trading Platforms

In April 2018, Saxo Bank launched SaxoTraderPRO, a new trading platform for active traders and institutional clients offering a unique combination of a feature rich trading platform and ease of use.

The new platform is an advanced multi-screen trading platform offering a fully customizable workspace for both Windows and Mac with no monthly fees.

REGULATORY ENVIRONMENT

Catering to active traders and institutional clients, SaxoTraderPRO is set to replace the current SaxoTrader platform, while SaxoTraderGO continues to cater to a wider range of retail traders and investors.

Key features of SaxoTraderPRO include:

- Usability: An intuitive, fully customisable professional-grade trading platform for active traders
- Advanced trading tools: New high-performance tools to manage and execute orders and analyse market data
- Innovative Risk Management: New integrated risk-management tools
- Best in class reporting: Available in platform or as PDFs / Excel files

SaxoSelect

The global roll-out of SaxoSelect, the Bank's fully digital and automated investment service has continued through the first half of 2018. SaxoSelect 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 preselected strategies in a real-time, fully transparent environment directly in the platform. SaxoSelect offers ETF and equity portfolios built in partnership with BlackRock and Morningstar. For the more sophisticated investors, SaxoSelect offers discretionary trading strategies that uses more advanced instruments to generate returns. Saxo Bank A/S, Saxo Capital Markets Ltd in the UK, Saxo Bank AG in Switzerland as well as Saxo Capital Markets Pte Ltd in Singapore hold licenses to offer SaxoSelect.

Capital & ICAAP

With headquarter in an EU member state, Saxo Bank Group is required to fulfil the capital requirements set out in the capital requirement regulation and directive jointly referred to as CRD IV

As of 30 June 2018, the Common Equity Tier 1 capital (CET1), Tier 1 capital and Total capital amounted to DKK 2.8 billion, DKK 3.2 billion and DKK 3.5 billion respectively. This corresponds to a Common Equity Tier 1 ratio, a Tier 1 capital ratio and a Total capital ratio for the Group of 22.7%, 25.4% and 28.3% respectively after inclusion of the total comprehensive income for the first half of 2018. As of 31 December 2017 the corresponding ratios were 18.1%, 20.4% and 22.7% respectively.

The total Risk Exposure Amounts of the Group were DKK 12.4 billion as of 30 June 2018 compared with DKK 14.9 billion as of 31 December 2017.

As of 30 June 2018, the Group's Internal Capital Adequacy Assessment Process (ICAAP) showed a capital requirement of 12.4% of Risk Exposure Amounts, equivalent to DKK 1.78 billion. The Common Equity Tier 1 excess capital was DKK 1.7 billion, corresponding to 14.0% of Risk Exposure Amounts.

The ICAAP Report Q2 2018 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.

Liquidity & ILAAP

Regulation of the liquidity area requires 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 was fully phased-in in January 2018.

The Group is required to hold liquidity at least equal to the current Internal Liquidity Adequacy Assessment Process (ILAAP) level as determined by the Board of Directors as part of the yearly ILAAP-process. The ILAAP level cannot be less than the current minimum regulatory requirements.

As of 30 June 2018, the Group reported an LCR ratio of 284.7%, thereby fulfilling the regulatory and ILAAP requirements.

The fulfilment of the Danish liquidity Supervisory Diamond requirement is published in the Supervisory Diamond half year 2018 report available at 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 2017 and Risk Report 2017 or the quarterly ICAAP reports available at 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 31 in the Group's Annual Report for 2017. Description of Saxo Bank's legal, management and organisational structure is also available at www.home.saxo/about-us/investor-relations.

Forthcoming Regulation

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

The EU Commission has 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 so-called CRR 2). The revision includes various implementations from Basel. Depending on the final calibration of the regulation and implementation in the EU, the proposal may impact the Group's future level of Risk Exposure Amounts.

Resolution and Recovery of banks

All member states in the EU have to apply a single rulebook for the resolution of banks and large investment firms, as prescribed by the Bank Recovery and Resolution Directive (BRRD). The directive was implemented in Danish law in 2015.

These rules harmonise and improve the tools for dealing with bank crises across the EU. The aim is to ensure that shareholders and creditors of banks will pay their share of the costs through a "bailin" mechanism.

A Danish resolution fund has been established where Danish credit institutions including Saxo Bank A/S have to contribute on the basis of the credit institutions' individual balances and risk exposures relative to other credit institutions.

The Group has not yet received its final MREL requirement from the Danish FSA.

MIFID II and MIFIR

The Markets in Financial Instruments Directive (MiFID II) and the Regulation on Markets in Financial Instruments (MiFIR) came into force 3 January 2018. MiFID II and MiFIR contain 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 came into force.

Accounting standards (IFRS)

The main impact of the implementation of IFRS 9 from January 2018 was the introduction of a new impairment model requiring earlier recognition of credit losses. Further details on impact are enclosed in note 1.

ESMA regulation on CFDs

In March 2018, the European Securities and Markets Authority (ESMA) announced having agreed on a range of measures intended to harmonise EU-wide regulation and to provide better protection to retail clients trading leveraged products, like CFDs. The new measures will take effect from 30 July 2018.

As per 30 July the Group will introduce reduced leverage limits as per the ESMA-limits as well as implement other contingency measures to accommodate the ESMA regulation.

Additional information about forthcoming regulation can be found in the Annual Report 2017 in the section "Regulatory Environment".

OUTLOOK 2018

2018 looks to be a year of trade tensions which is yet to impact overall activity in the market but with a US mid-term election and increased tension on tariffs we expect some volatility into year end.

The market scare in February was followed by political upsets in Italy but despite this overall conditions in the market remained relatively calm. The recent fall out in Emerging markets and China is something to watch as the US Federal Reserve remains focused on “normalizing” monetary almost at all cost.

We see higher volatility for the balance of this as the tectonic plates of economics and politics continues to move in opposite direction which could lead to good opportunities for investors and traders on the Saxo platform.

Saxo Bank will continue with its strategic direction of democratising trading and investment, and providing unparalleled access to global financial markets anytime, anywhere. Focus will remain on leveraging the multiasset capabilities to expand the product and service offerings and at the same time be significantly more efficient in client acquisition and client servicing.

Cost control, capital and liquidity management as well as risk management will furthermore continue to be important themes for Saxo Bank in 2018.

Saxo Bank is still confident that the Group has a solid foundation for its operations in 2018.

Due to the nature of the Group’s activities, the forecast of trading related income and net profit is subject to uncertainty. With that in mind and based on the result for the first half of 2018, we are confident that we will continue to improve the net profit in the second half of 2018.

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 2018	First half 2017
3	Interest income	869,057	787,865
4	Interest expense	(137,956)	(107,351)
	Net interest income	731,101	680,514
5	Fee and commission income	820,929	690,186
6	Fee and commission expense	(492,503)	(449,273)
	Net interest, fees and commissions	1,059,527	921,427
7	Price and exchange rate adjustments	446,913	636,153
	Operating income	1,506,440	1,557,580
	Other income	1,495	4,212
	Staff costs and administrative expenses	(1,128,414)	(1,095,996)
	Depreciation, amortisation and impairment of intangible and tangible assets	(154,892)	(146,639)
	Other expenses	(8,452)	(18,420)
9	Impairment charges loans and receivables etc.	(6,775)	11,476
	Profit before tax	209,402	312,213
	Tax	(59,699)	(82,759)
	Net profit	149,703	229,454
	Net profit attributable to:		
	Shareholders of Saxo Bank A/S	148,261	227,564
	Additional tier 1 capital holders	16,187	16,187
	Non-controlling interests	(14,745)	(14,298)
	Net profit	149,703	229,454

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK GROUP

(1,000 DKK)	First half 2018	First half 2017
Net profit	149,703	229,454
Other comprehensive income		
Items that will not be reclassified subsequently to income statement:		
Remeasurement of defined benefit plans	(1,808)	11,596
Tax	382	(1,422)
Items that will not be reclassified subsequently to income statement	(1,426)	10,174
Items that are or may be reclassified subsequently to income statement:		
Exchange rate adjustments	9,834	(61,337)
Hedge of net investments in foreign entities	(2,271)	47,063
Fair value adjustment of cash flow hedges:		
Effective portion of changes in fair value	(2,904)	1,910
Net amount transferred to profit or loss	6,553	6,890
Tax	(360)	(12,348)
Items that are or may be reclassified subsequently to income statement	10,852	(17,822)
Total other comprehensive income	9,426	(7,648)
Total comprehensive income	159,129	221,806
Total comprehensive income attributable to:		
Shareholders of Saxo Bank A/S	157,687	219,917
Additional tier 1 capital holders	16,187	16,187
Non-controlling interests	(14,745)	(14,298)
Total comprehensive income	159,129	221,806

STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP

Note	(1,000 DKK)	30 June 2018	31 Dec. 2017
ASSETS			
16	Cash in hand and demand deposits with central banks	2,405,659	2,720,359
9, 16	Receivables from credit institutions and central banks	5,179,240	4,113,164
8, 16	Trading assets	28,373,352	28,713,715
9, 16	Loans and other receivables at amortised cost	45,935	1,686,002
	Current tax assets	20,596	4,974
	Intangible assets	1,668,080	1,617,712
	Tangible assets	737,009	784,799
	Deferred tax assets	24,836	28,551
	Other assets	316,896	286,275
	Total assets	38,771,603	39,955,551
LIABILITIES			
	Debt to credit institutions and central banks	4,089,371	3,764,567
8	Trading liabilities	2,332,607	2,519,801
16	Deposits	26,451,169	27,811,163
	Current tax liabilities	48,387	55,860
	Other liabilities	575,898	670,734
	Deferred tax liabilities	54,352	54,154
	Provisions	101,099	106,727
11	Subordinated debt	355,458	351,131
	Total liabilities	34,008,341	35,334,137
EQUITY			
	Share capital	68,284	68,284
	Translation reserve	182,785	174,721
	Hedging reserve	(50,418)	(43,269)
	Revaluation reserve	49,762	51,936
	Retained earnings	4,131,749	3,985,584
	Shareholders of Saxo Bank A/S	4,382,162	4,237,256
12	Additional tier 1 capital	345,898	346,048
	Non-controlling interests	35,202	38,110
	Total equity	4,763,262	4,621,414
	Total liabilities and equity	38,771,603	39,955,551

STATEMENT OF CHANGES IN EQUITY – SAXO BANK GROUP

Shareholders of Saxo Bank A/S									
(1,000 DKK)	Share capital	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total	Additional tier 1 capital	Non-controlling interests	Total
Equity at 1 January 2018	68,284	174,721	(43,269)	51,936	3,985,584	4,237,256	346,048	38,110	4,621,414
Changes on initial application of IFRS 9	-	-	-	-	(26,498)	(26,498)	-	(1,463)	(27,961)
Restated balance at 1 January 2018	68,284	174,721	(43,269)	51,936	3,959,086	4,210,758	346,048	36,647	4,593,453
Net profit	-	-	-	-	148,261	148,261	16,187	(14,745)	149,703
Exchange rate adjustments	-	9,834	-	-	-	9,834	-	-	9,834
Hedge of net investments in foreign entities	-	-	3,649	-	-	3,649	-	-	3,649
Fair value adjustment of cash flow hedges	-	(2,271)	-	-	-	(2,271)	-	-	(2,271)
Revaluation of domicile properties	-	-	-	(2,787)	2,787	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	(1,808)	(1,808)	-	-	(1,808)
Other equity movements	-	-	(9,937)	-	9,937	-	-	-	-
Tax	-	501	(861)	613	(231)	22	-	-	22
Total other comprehensive income	-	8,064	(7,149)	(2,174)	10,685	9,426	-	-	9,426
Total comprehensive income	-	8,064	(7,149)	(2,174)	158,946	157,687	16,187	(14,745)	159,129
Transactions with owners									
Tier 1 interest payment	-	-	-	-	-	-	(16,337)	-	(16,337)
Share-based payments	-	-	-	-	10,155	10,155	-	-	10,155
Transactions with non-controlling interests	-	-	-	-	-	-	-	13,300	13,300
Tax	-	-	-	-	3,562	3,562	-	-	3,562
Equity at 30 June 2018	68,284	182,785	(50,418)	49,762	4,131,749	4,382,162	345,898	35,202	4,763,262
Shareholders of Saxo Bank A/S									
(1,000 DKK)	Share capital	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total	Additional tier 1 capital	Non-controlling interests	Total
Equity at 1 January 2017	68,284	237,061	(52,467)	53,944	3,543,842	3,850,664	346,026	41,710	4,238,400
Net profit	-	-	-	-	227,565	227,565	16,187	(14,298)	229,454
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)
Total comprehensive income	-	(24,629)	6,807	(1,842)	239,581	219,917	16,187	(14,298)	221,806
Transactions with owners									
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
Equity at 30 June 2017	68,284	212,432	(45,660)	52,102	3,804,096	4,091,254	345,907	32,710	4,469,871

STATEMENT OF TOTAL CAPITAL – SAXO BANK GROUP

(1,000 DKK)	30 June 2018	31 Dec. 2017
Tier 1 capital		
Total equity 1 January excl. non-controlling interests	4,237,256	3,850,664
Net profit excl. non-controlling interests	164,448	427,470
Accrued interest (dividend) on Additional tier 1 capital, net of tax	(12,625)	(25,461)
Share-based payments	10,155	25,628
Total other comprehensive income	9,426	(42,695)
Change in Common equity tier 1 capital (CET1 capital)	-	1,650
Common equity tier 1 capital from subsidiaries	-	964
Hedging reserve	50,418	43,269
Intangible assets	(1,668,080)	(1,617,712)
Deferred tax liabilities, intangible assets	84,640	91,962
Deferred tax assets	(10,494)	(14,594)
Prudent valuation adjustments	(30,245)	(31,234)
Common equity tier 1 capital (net after deduction)	2,834,899	2,709,911
Additional tier 1 capital	334,802	334,802
Tier 1 capital from subsidiaries	-	101
Total tier 1 capital	3,169,701	3,044,814
Tier 2 capital		
Subordinated debt, new regulation	355,458	351,131
Tier 2 capital from subsidiaries	-	169
Total tier 2 capital	355,458	351,300
Total capital	3,525,159	3,396,114
Risk exposure amounts		
Credit risk	3,798,535	5,896,996
Market risk	3,526,135	3,952,949
Operational risk	5,099,745	5,099,745
Total Risk exposure amounts	12,424,415	14,949,690
Common equity tier 1 ratio	22.8%	18.1%
Tier 1 capital ratio	25.5%	20.4%
Total capital ratio	28.4%	22.7%

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 2018	First half 2017
Cash flow from operating activities		
Profit before tax	209,402	312,213
Tax paid	(63,622)	(66,969)
<i>Adjustment for non-cash operating items:</i>		
Amortisation and impairment charges of intangible assets	131,840	125,079
Depreciation and impairment charges of tangible assets and investment properties	23,052	21,559
Loan impairment charges	10,200	(4,240)
Other non-cash operating items	24,713	28,522
Total	335,585	416,164
<i>Changes in operating capital:</i>		
Receivables from credit institutions and central banks	4,890	14,560
Derivative financial instruments	(330,008)	125,628
Loans and other receivables at amortised cost	(53,444)	(29,446)
Bonds	(1,048,455)	(166,742)
Other assets	(64,429)	(676)
Debt to credit institutions and central banks	324,860	(3,520,724)
Deposits	2,163,421	806,677
Provisions and other liabilities	(9,488)	(82,624)
Cash flow from operating activities	1,322,932	(2,437,183)
Cash flow from investing activities		
Divestment of businesses and other participating interests, net of cash	(371,406)	1,711
Acquisition of intangible and tangible assets	(196,500)	(154,300)
Cash flow from investing activities	(567,906)	(152,589)
Cash flow from financing activities		
Tier 1 interest payment	(16,337)	(16,306)
Transactions with non-controlling interests	11,022	4,972
Share-based payments	6,555	7,192
Cash flow from financing activities	1,240	(4,142)
Net increase/(decrease) in cash and cash equivalents	756,266	(2,593,914)
Cash and cash equivalents at 1 January	6,828,633	8,005,794
Cash and cash equivalents at 30 June	7,584,899	5,411,880
Cash and cash equivalents at 30 June		
Cash in hand and demand deposits with central banks	2,405,659	1,531,411
Amounts due from credit institutions and central banks within three months	5,179,240	3,880,469
Cash and cash equivalents at 30 June	7,584,899	5,411,880

NOTES – SAXO BANK GROUP

Note

1 Accounting policies

The interim financial statements of Saxo Bank Group for the first half of 2018 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 2018 has not been subject to audit or review.

The Group has implemented standards and amendments applicable from 1 January 2018, which includes IFRS 9 Financial Instruments, IFRS 15 Revenue from contracts with customers, amendments to IFRS 2, IFRS 4 and IAS 40 as well as IFRIC 22 and parts of annual improvements to IFRSs 2014-2016.

Except from the implementation of IFRS 9 Financial Instruments as described below there has been no impact on shareholder's equity or total assets regarding implementation of the above mentioned standards and amendments. A comprehensive description of the Groups accounting policies is described in the Groups Annual report for 2017, note 1.

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.

Changes in accounting policies

IFRS 9 Financial Instruments

The IAS 39 accounting standard for Financial Instruments is replaced with IFRS 9 Financial Instruments. The Group has adopted IFRS 9 with date of transition 1 January 2018. IFRS 9 provides principles for recognition, classification and measurement of financial instruments as well as hedge accounting. IFRS 9 introduces a new impairment model (the expected credit loss impairment model, compared to an incurred loss impairment model in IAS 39) to be applied for certain financial assets requiring earlier recognition of credit losses.

Classification and subsequent measurement of financial assets

From 1 January 2018 the Groups financial assets are classified into the following measurement categories:

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

Classification and subsequent measurement depend on the Groups business model assessment for managing the financial asset and the contractual cash flow characteristics. Financial assets held for collection of contractual cash flows and where the cash flow represents solely payments of principal, and interests are measured at amortised cost. Interest income from these assets included in interest income using the effective interest method.

Based on the Groups business model, Receivables from credit institutions and central banks and Loans and other receivables, are measured at amortised cost.

Trading assets are part of the Groups trading portfolio. Trading assets comprise bonds, derivative financial instruments with positive fair value and other securities and do not meet the criteria for amortised cost or FVOCI and are measured at fair value through profit or loss. A gain or loss on these assets due to changes in fair value is recognised in profit or loss in Price and exchange rate adjustments.

Saxo Bank Group manages performance of the trading portfolio with the objective of realising cash flows through the sale of the assets. The trading portfolio is managed and evaluated on a fair value basis.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies (continued)

Impairment on financial assets measured at amortised cost

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

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

Stage 1: If the credit risk has not increased significantly since initial recognition, the impairment equals an amount equal to 12 month expected credit losses.

Stage 2: If the credit risk has increased significantly since initial recognition, the financial assets are transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised.

Stage 3: If a financial asset is in default or otherwise credit-impaired, it is transferred to stage 3, which is the same as stage 2, except that interest income is recognised on the net carrying amount.

Impact of the change in accounting policy and comparative figures

The Groups accounting for classification of financial assets and liabilities have not changed due to the implementation of IFRS 9 compared to IAS 39.

Application of the new impairment model has increased the provisions for impairment and impacts the carrying amount of the financial assets accordingly. There have been no changes to measurement of financial liabilities.

Adjustments to the carry amounts of financial assets at the date of transition were recognised in the retained earnings opening balance as per 1 January 2018. As permitted by the transitional provisions of IFRS 9 comparative figures are not restated.

For the purpose of clarity, the disclosures of the impact of IFRS 9 are prepared using the concepts of materiality and relevance especially after the disposal of the retail banking activities in Saxo Privatbank A/S. This means that disclosures 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 notes. Similarly, information not considered material is not presented.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement under IAS 39 to their new measurement upon transition to IFRS 9. The measurement categories for financial assets have not changed, however the measurement for financial assets measured at amortised cost has changed due to the new impairment model.

(1,000 DKK)	IAS 39 carrying amount 31 December 2017	Remeasurement due to changes in accounting policy	IFRS 9 carrying amount 1 January 2018
ASSETS			
Cash in hand and demand deposits with central banks	2,720,359		2,720,359
Receivables from credit institutions and central banks	4,113,164	(5,804)	4,107,360
Trading assets	28,713,715		28,713,715
Loans and advances at amortised cost	1,686,002	(30,044)	1,655,958
Current tax assets	4,974		4,974
Intangible assets	1,617,712		1,617,712
Tangible assets	784,799		784,799
Deferred tax assets	28,551		28,551
Other assets	286,275		286,275
Total assets	39,955,551	(35,848)	39,919,703

The tax impact due to remeasurement is DKK 7,887 thousand

NOTES – SAXO BANK GROUP

Note

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 goodwill and other intangible assets

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 2017 provide a comprehensive description of the Groups critical accounting estimates and judgements.

NOTES – SAXO BANK GROUP

Note	(1,000 DKK)	First half 2018	First half 2017
3	Interest income		
	Credit institutions and central banks	47,014	31,892
	Loans and other receivables	69,956	73,709
	Bonds	103,816	107,301
	Derivative financial instruments	646,707	573,726
	Other interest income	1,564	1,236
	Total interest income	869,057	787,865
4	Interest expense		
	Credit institutions and central banks	(27,054)	(36,522)
	Deposits	(10,133)	(5,631)
	Subordinated debt	(26,437)	(28,285)
	Derivative financial instruments	(74,304)	(36,213)
	Other interest expense	(28)	(700)
	Total interest expense	(137,956)	(107,351)
5	Fee and commission income		
	Trading with equities and derivative financial instruments	793,389	649,240
	Origination fees	9,154	16,874
	Asset management fees	2,278	6,462
	Other fee and commission income	16,108	17,610
	Total fee and commission income	820,929	690,186
6	Fee and commission expense		
	Trading with equities and derivative financial instruments	(492,503)	(449,273)
	Total fee and commission expense	(492,503)	(449,273)
7	Price and exchange rate adjustments		
	Bonds	(87,434)	(90,453)
	Equities	913	12
	Investment securities	2,833	(1,023)
	Foreign exchange	368,451	572,341
	Derivative financial instruments ¹⁾	162,150	155,476
	Investment properties	-	(200)
	Total price and exchange rate adjustments	446,913	636,153

1) Other than foreign exchange

NOTES – SAXO BANK GROUP

Note	(1,000 DKK)	30 June 2018	31 Dec. 2017
8	Trading assets and liabilities		
	Listed bonds	22,859,968	23,350,095
	Derivative financial instruments with positive fair value	5,513,384	5,359,737
	Other securities (unlisted)	-	3,883
	Total trading assets	28,373,352	28,713,715
	Derivative financial instruments with negative fair value	2,332,607	2,519,801
	Total trading liabilities	2,332,607	2,519,801

Note	(1,000 DKK)	30 June 2018
9	Impairment allowance	
	Reconciliation of total allowance account	
	Collective and individual impairment charges under IAS 39	115,106
	Transition effect of IFRS 9 at 1 January 2018	35,848
	Impairment (stage 3) for the period	11,093
	Reversals of impairment from previous years	(4,318)
	Amounts written off	(3,079)
	Disposal of loan portfolio Saxo Privatbank A/S	(129,634)
	Impairment allowance, end of period	25,016

At 1 April 2018 the loan portfolio in Saxo Privatbank A/S was disposed. The remaining impairment allowance at 30 June 2018 are related to stage 1 (DKK 5.7 million) and stage 3 (DKK 19.3 million).

Note	(1,000 DKK)	31 Dec. 2017
	Reconciliation of total allowance account	
	Impairment allowance 1 January	212,175
	Impairment for the year	31,799
	Reversals of impairment from previous years	(33,100)
	Other	3,275
	Amounts written off	(99,043)
	Impairment allowance, end period	115,106

NOTES – SAXO BANK GROUP

Note (1,000 DKK)

10 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
30 June 2018					
Financial assets ¹⁾					
Trading portfolio bonds	22,859,968	-	-	22,859,968	22,859,968
Derivative financial instruments with positive value	3,591,741	1,660,124	261,519	5,513,384	5,513,384
Loans and other receivables at amortised cost	-	-	-	-	45,935
Investment securities ²⁾	-	-	9,089	9,089	9,089
Financial liabilities					
Derivative financial instruments with negative value	1,312,084	1,020,523	-	2,332,607	2,332,607
Interest swaps ²⁾	-	62,983	-	62,983	62,983
Subordinated debt	-	-	355,458	355,458	355,458
31 December 2017					
Financial assets ¹⁾					
Trading portfolio bonds	23,350,095	-	-	23,350,095	23,350,095
Trading portfolio equities	883	-	3,000	3,883	3,883
Derivative financial instruments with positive value	1,952,986	3,147,568	259,183	5,359,737	5,359,737
Loans and other receivables at amortised cost	-	-	1,677,452	1,677,452	1,686,002
Investment securities ²⁾	-	-	37,019	37,019	37,019
Financial liabilities					
Derivative financial instruments with negative value	1,638,728	881,073	-	2,519,801	2,519,801
Interest swaps ²⁾	-	66,895	-	66,895	66,895
Subordinated debt	-	-	351,131	351,131	351,131

¹⁾ Trading portfolio bonds, equities and derivatives are presented in the statement of financial position as Trading assets and Trading liabilities, note 8

²⁾ Investment securities and interest swaps are presented in the statement of financial position as Other assets and Other liabilities

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 different option pricing models. In most cases the valuation is substantially based on observable input, such as interbank quoted prices and implied volatility (level 2).

Fair value for CFD contracts with clients where credit value adjustments are made, is established by using the same valuation techniques as for level 2. 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).

NOTES – SAXO BANK GROUP

Note (1,000 DKK)

10 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.

	30 June 2018	31 Dec. 2017
Financial instruments valued at the basis of non-observable inputs		
Fair value at 1 January	299,202	313,662
Additions	2,336	1,324
Disposals	(30,929)	(16,974)
<i>Gains and losses recognised in income statement:</i>		
Realised fair value adjustments recognised in income statement	-	1,884
Unrealised fair value adjustments recognised in income statement	-	(694)
Fair value end of period	270,608	299,202

11 Subordinated debt

Cur- rency	Year of issue	Maturity	Interest	Margin first period		Margin second period		Margin third period			
				Rate	Years	Rate	Years	Rate	Years		
EUR	2015	14.04.2025	Fixed/EURIBOR ¹⁾	14.40%	0.25	12.00%	4.75	12.30%	5	355,458	351,131
Total Tier 2 capital instruments										355,458	351,131

¹⁾ Fixed interest apply in first and second margin period and EURIBOR apply in third margin period.

Note 19 in the Groups Annual report for 2017 provides more detailed information.

12 Additional tier 1 capital

Cur- rency	Year of issue	Maturity	Interest	Nominal	Rate	Years		
EUR	2014	Perpetual	Fixed ¹⁾	45,000	9.75%	5.25 ¹⁾	345,898	346,048
Equity accounted Additional tier 1 capital							345,898	346,048

¹⁾ The interest rate is fixed the first five years and three months after issuance. Hereafter the interest rate is fixed every fifth year at the 5-year mid-swap rate plus 9.30% until redemption

Note 21 in the Groups Annual report for 2017 provides more detailed information.

NOTES – SAXO BANK GROUP

Note	(1,000 DKK)	30 June 2018	31 Dec. 2017
13	Contingent and other contractual commitments		
	Guarantees		
	Financial guarantees	45,071	242,293
	Mortgage finance guarantees	-	329,691
	Registration and remortgaging guarantees	-	220,403
	Other guarantees	30,783	288,562
	Total guarantees	75,854	1,080,949
	Loan commitments etc.		
	Other unutilised credit facilities	-	951,860
	Total loan commitments etc.	-	951,860
	Other contractual commitments		
	Other contractual commitments incl. operating leases	343,947	459,895
	Total other contractual commitments	343,947	459,895

Decrease in total guarantees, loan commitments and other contractual commitments is primarily related to disposal of the activities in Saxo Privatbank A/S.

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 28 in the Groups Annual Report for 2017 provides information about the future operating lease payments.

14 Related parties

The nature of related-party transactions in the first half of 2018 are all of same nature as the ones disclosed in note 27 in the Groups Annual Report for 2017.

15 Assets deposited as collateral

Of the Group's bond holdings, bonds with a nominal value of DKK 3.8 billion (31 December 2017: DKK 4.1 billion), and a fair value of DKK 3.8 billion (31 December 2017: DKK 4.1 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 2018, 16.5% (31 December 2017: 18%) of the Group's total fair value of bonds were held in custody.

Of deposits with investment brokers, banks and other credit institutions, DKK 84.3 million (31 December 2017: DKK 224.5 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 71.8 million (31 December 2017: DKK 71.8 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 2017: DKK 365 million) on the Group's domicile property.

NOTES – SAXO BANK GROUP

Note (1,000 DKK)

16 Disposed activities in 2018

Saxo Bank A/S has on 1 April 2018 disposed its retail banking activities in Saxo Privatbank A/S and on 31 May disposed its 100% ownership of shares in its subsidiary Saxo Capital Markets SA Ltd., South Africa. The disposals made in first half of 2018 had the following effect on the Groups assets and liabilities at the disposal date.

	Total
Cash in hand and demand deposits with central banks	506,012
Receivables from credit institutions and central banks	280,523
Trading assets	1,546,687
Loans and other receivables at amortised cost	1,686,599
Other assets ¹⁾	46,819
Total assets	4,066,640
¹⁾ Other assets contains assets which are individually immaterial	
Deposits	3,563,534
Other liabilities ¹⁾	97,643
Total liabilities	3,661,177

¹⁾ Other liabilities contains liabilities which are individually immaterial

The disposed activities in first half 2018 have no material impact on the profit and loss.

17 Events after the reporting date

Saxo Bank A/S has in July 2018 signed a sales purchase agreement regarding its shares in B Circle Holding S.A. (owns 100% of the shares in Saxo Payment A/S). The transaction is expected to be finalised in second half of 2018, pending regulatory approval. The transaction is expected to reduce the total assets of the Group with approximately DKK 3.5 billion primarily due to reduction of receivable from credit institutions and central banks and reduce the total liabilities with approximately DKK 3.5 billion primarily due to reduction of deposits. The sale is expected to impact the profit and loss with a gain of approximately DKK 750 million.

NOTES – SAXO BANK GROUP

Note	(1,000 DKK)	First half 2018	First half 2017
18	Key figures and ratios		
	Highlights		
	Net interest, fees and commissions	1,059,527	921,427
	Price and exchange rate adjustments	446,913	636,153
	Staff costs and administrative expenses	(1,128,414)	(1,095,996)
	Impairment charges loans and receivables etc.	(6,775)	11,476
	Net profit	149,703	229,454
	Loans and other receivables at amortised cost	45,935	1,713,191
	Subordinated debt	355,458	532,700
	Total equity	4,763,262	4,469,871
	Total assets	38,771,603	40,845,934
	Full-time-equivalent staff (end of period)	1,619	1,555
	EBITDA		
	Net profit before tax adjusted for:	209,402	312,213
	Depreciation and amortisation	154,892	146,639
	Interest expenses, non-core	33,596	37,029
	EBITDA	397,890	495,881
	Impairment on loans and CVA adjustments	-	(22,818)
	Litigations, claims and restructuring	33,266	77,347
	Adjusted EBITDA	431,156	550,410
	Key figures and ratios		
	Total capital ratio	28.4%	20.0%
	Tier 1 capital ratio	25.5%	17.8%
	Return on equity before tax ¹⁾	8.9%	14.0 %
	Return on equity after tax ¹⁾	6.4%	10.3 %
	Income/cost ratio	116.0%	125.0%
	Interest rate risk	2.9%	4.0%
	Foreign exchange rate risk/Tier 1 capital	10.9%	18.2%
	Value at risk of foreign exchange rate risk/Tier 1 capital	0.1%	0.1%
	Loans and other receivables plus impairment charges/Deposits	0.2%	6.4%
	Loans and other receivables proportional to Total equity	0.01	0.38
	Growth in loans and other receivables ²⁾	(97.3)%	1.3 %
	Excess liquidity coverage/liquidity requirement	479.0%	421.6%
	Sum of large exposures/Total capital	0.0%	0.0%
	Loss and provisions ratio	7.2%	(0.4)%
	Return on assets ¹⁾	0.8%	1.1 %

¹⁾Annualised

²⁾Negative due to the disposal of the retail bank activities in Saxo Privatbank A/S

See definitions in Groups Annual Report 2017 page 96.

INTERIM FINANCIAL STATEMENTS

SAXO BANK A/S

INCOME STATEMENT – SAXO BANK A/S

Note	(1,000 DKK)	First half 2018	First half 2017
2	Interest income	765,015	684,282
3	Interest expense	(126,837)	(92,641)
	Net interest income	638,178	591,641
	Fee and commission income	725,798	602,564
	Fee and commission expense	(890,033)	(849,254)
	Net interest, fees and commissions	473,943	344,951
4	Price and exchange rate adjustments	443,254	624,890
	Operating income	917,197	969,841
	Other income	18,425	19,121
	Staff costs and administrative expenses	(750,582)	(701,109)
	Depreciation, amortisation and impairment of intangible and tangible assets	(142,703)	(142,102)
	Other expenses	(3,380)	(17,808)
5	Impairment charges loans and receivables etc.	559	7,231
	Income from subsidiaries	145,001	152,325
	Profit before tax	184,517	287,499
	Tax	(20,069)	(43,747)
	Net profit	164,448	243,752
	Net profit attributable to:		
	Equity method reserve	112,466	137,743
	Additional tier 1 capital holders	16,187	16,187
	Retained earnings	35,795	89,822
	Net profit	164,448	243,752

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK A/S

(1,000 DKK)	First half 2018	First half 2017
Net profit	164,448	243,752
Other comprehensive income		
Items that will not be reclassified subsequently to income statement:		
Other comprehensive income from subsidiaries, net of tax	(1,426)	-
Items that will not be reclassified subsequently to income statement	(1,426)	-
Items that are or may be reclassified subsequently to income statement:		
Exchange rate adjustments	9,834	(61,337)
Hedge of net investments in foreign entities	(2,271)	47,063
Other comprehensive income from subsidiaries, net of tax	2,789	16,980
Tax	500	(10,354)
Items that are or may be reclassified subsequently to income statement	10,852	(7,648)
Total other comprehensive income	9,426	(7,648)
Total comprehensive income	173,874	236,104
Total comprehensive income attributable to:		
Equity method reserve	57,412	130,095
Additional tier 1 capital holders	16,187	16,187
Retained earnings	100,275	89,822
Total comprehensive income	173,874	236,104

STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S

Note	(1,000 DKK)	30 June 2018	31 Dec. 2017
ASSETS			
	Cash in hand and demand deposits with central banks	140,330	703,207
5	Receivables from credit institutions and central banks	816,685	811,848
5	Loans and other receivables at amortised cost	85,506	73,758
	Bonds at fair value	21,818,333	21,232,286
	Equities etc.	4,321	4,124
	Investments in subsidiaries	2,233,669	2,132,020
	Intangible assets	1,655,445	1,608,976
	Tangible assets	64,148	71,015
	Tax receivables	19,599	1,782
	Deferred tax assets	5,463	5,797
	Other assets	5,713,163	5,498,632
	Prepayments	75,401	41,280
	Total assets	32,632,063	32,184,725
LIABILITIES			
	Debt to credit institutions and central banks	4,969,842	5,320,643
	Deposits	19,689,231	18,886,080
	Tax liabilities	28,481	34,448
	Other liabilities	2,723,717	2,859,451
	Total debt	27,411,271	27,100,622
	Deferred tax liabilities	39,546	48,688
	Provisions for impairment on guarantees	9,970	9,970
	Other provisions	87,190	90,442
	Total provisions	136,706	149,100
	Subordinated debt	355,458	351,131
EQUITY			
	Share capital	68,284	68,284
	Equity method reserve	461,230	428,531
	Retained earnings	3,853,216	3,741,009
	Shareholders of Saxo Bank A/S	4,382,730	4,237,824
	Additional tier 1 capital	345,898	346,048
	Total equity	4,728,628	4,583,872
	Total liabilities and equity	32,632,063	32,184,725

STATEMENT OF CHANGES IN EQUITY – SAXO BANK A/S

(1,000 DKK)	Shareholders of Saxo Bank A/S					
	Share capital	Equity method reserve	Retained earnings	Total	Additional tier 1 capital	Total
Equity at 1 January 2018	68,284	428,531	3,741,009	4,237,824	346,048	4,583,872
Changes in accounting policies	-	(24,713)	(1,785)	-26,498	-	-26,498
Restated balance at 1 January 2018	68,284	403,818	3,739,224	4,211,326	346,048	4,557,374
Net profit	-	112,466	35,795	148,261	16,187	164,448
Other comprehensive income						
Exchange rate adjustments	-	9,834	-	9,834	-	9,834
Hedge of net investments in foreign entities	-	(2,271)	-	(2,271)	-	(2,271)
Other comprehensive income from subsidiaries, net of tax	-	1,363	-	1,363	-	1,363
Other movements	-	(64,480)	64,480	-	-	-
Tax	-	500	-	500	-	500
Total other comprehensive income	-	(55,054)	64,480	9,426	-	9,426
Total comprehensive income	-	57,412	100,275	157,687	16,187	173,874
Transactions with owners						
Tier 1 interest payment	-	-	-	-	(16,337)	(16,337)
Share-based payments	-	-	10,155	10,155	-	10,155
Tax	-	-	3,562	3,562	-	3,562
Equity at 30 June 2018	68,284	461,230	3,853,216	4,382,730	345,898	4,728,628

(1,000 DKK)	Shareholders of Saxo Bank A/S					
	Share capital	Equity method reserve	Retained earnings	Total	Additional tier 1 capital	Total
Equity at 1 January 2017	68,284	225,802	3,557,145	3,851,231	346,026	4,197,257
Net profit	-	137,743	89,822	227,565	16,187	243,752
Other comprehensive income						
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)
Total comprehensive income	-	130,095	89,822	219,917	16,187	236,104
Transactions with owners						
Tier 1 interest payment	-	-	-	-	(16,306)	(16,306)
Share-based payments	-	362	16,761	17,123	-	17,123
Transactions with non-controlling interests	-	-	(9)	(9)	-	(9)
Tax	-	-	3,560	3,560	-	3,560
Equity at 30 June 2017	68,284	356,259	3,667,279	4,091,822	345,907	4,437,729

STATEMENT OF TOTAL CAPITAL – SAXO BANK A/S

(1,000 DKK)	30 June 2018	31 Dec. 2017
Tier 1 capital		
Total equity 1 January	4,237,824	3,851,231
Net profit	164,448	427,471
Accrued interest (dividend) on Additional tier 1 capital	(12,625)	(25,461)
Share-based payments	10,155	25,628
Total other comprehensive income	9,426	(42,695)
Change in Common equity tier 1 capital (CET1 capital)	-	1,650
Intangible assets	(1,655,445)	(1,608,976)
Deferred tax liabilities, intangible assets	88,074	95,053
Prudent valuation adjustments	(29,204)	(29,112)
Common equity tier 1 capital (net after deduction)	2,812,653	2,694,789
Additional tier 1 capital	334,802	334,802
Total tier 1 capital	3,147,455	3,029,591
Tier 2 capital		
Subordinated debt, new regulation	355,458	351,131
Total tier 2 capital	355,458	351,131
Total capital	3,502,913	3,380,722
Risk exposure amounts		
Credit risk	4,872,889	5,844,214
Market risk	3,468,794	3,769,781
Operational risk	3,201,540	3,201,540
Total risk exposure amounts	11,543,223	12,815,535
Common equity tier 1 ratio	24.4%	21.0%
Tier 1 capital ratio	27.3%	23.6%
Total capital ratio	30.3%	26.4%

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 Accounting policies

The interim financial statements of Saxo Bank A/S for the first half of 2018 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.

At 1 January 2018 the accounting policy for measurement of financial assets measured at amortised cost has changed due a new credit loss impairment model. Except from this change Saxo Bank A/S has not changed its accounting policies compared to those applied in the Annual Report 2017. For further information see note 1 in the consolidated interim financial statements.

Application of the new impairment model has increased the provisions for impairment and impacts the carrying amount of the financial assets accordingly.

Adjustments to the carry amounts of financial assets at the date of transition were recognised in the retained earnings opening balance as per 1 January 2018. As permitted the comparative figures are not restated.

Reconciliation of statement of financial position balances from 31 December 2017 to 1 January 2018:

The following table reconciles the carrying amounts of financial assets, from their previous measurement to their new measurement upon implementation of the expected credit loss impairment model.

(1,000 DKK)	Carrying amount 31 December 2017	Remeasurement due to change in accounting policy	Carrying amount 1 January 2018
ASSETS			
Cash in hand and demand deposits with central banks	703,207		703,207
Receivables from credit institutions and central banks	811,848	(2,288)	809,560
Loans and other receivables at amortised cost	73,758		73,758
Bonds at fair value	21,232,286		21,232,286
Equities etc.	4,124		4,124
Investments in subsidiaries	2,132,020	(31,683)	2,100,337
Intangible assets	1,608,976		1,608,976
Tangible assets	71,015		71,015
Tax receivables	1,782		1,782
Deferred tax assets	5,797		5,797
Other assets	5,498,632		5,498,632
Prepayments	41,280		41,280
Total assets	32,184,725	(33,971)	32,150,754

The tax impact due to remeasurement is DKK 7,474 thousand.

NOTES – SAXO BANK A/S

Note	(1,000 DKK)	First half 2018	First half 2017
2	Interest income		
	Credit institutions and central banks	5,420	8,900
	Loans and other receivables	55,689	37,010
	Bonds	101,525	103,299
	Derivative financial instruments	602,381	535,073
	Total interest income	765,015	684,282
3	Interest expense		
	Credit institutions and central banks	(9,806)	(20,307)
	Deposits	(17,534)	(7,204)
	Subordinated debt	(26,438)	(28,285)
	Derivative financial instruments	(73,059)	(36,084)
	Other interest expense	-	(761)
	Total interest expense	(126,837)	(92,641)
4	Price and exchange rate adjustments		
	Bonds	(87,090)	(98,477)
	Foreign exchange	366,531	572,187
	Derivative financial instruments ¹⁾	163,813	151,180
	Total price and exchange rate adjustments	443,254	624,890

¹⁾ Other than foreign exchange

NOTES – SAXO BANK A/S

Note	(1,000 DKK)	30 June 2018
5	Impairment allowance	
	Reconciliation of total allowance account	
	Collective and individual impairment charges 31 December 2017	15,016
	Transition effect of changes in accounting policies at 1 January 2018	2,288
	Impairment (stage 3) for the period	303
	Reversals of impairment from previous years	(894)
	Amounts written off	(722)
	Impairment allowance, end of period	15,991
	The impairment allowance at 30 June 2018 is related to stage 1 (DKK 1.6 million) and stage 3 (DKK 14.3 million)	
		31 Dec. 2017
	Reconciliation of total allowance account	
	Impairment allowance 1 January	28,269
	Reversals of impairment from previous years	(83)
	Amounts written off	(13,170)
	Impairment allowance, end period	15,016

NOTES – SAXO BANK A/S

Note	(1,000 DKK)	30 June 2018	31 Dec. 2017
6	Contingent and other contractual commitments		
	Guarantees		
	Financial guarantees	183,950	182,594
	Guarantees issued to subsidiaries	22,203	22,203
	Other guarantees	8,379	8,380
	Total guarantees	214,532	213,177
	Other contractual commitments		
	Rent commitments towards subsidiaries	414,652	429,971
	Other contractual commitments incl. operating leases	204,063	224,960
	Total other contractual commitments	618,715	654,931

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.

7 Related parties

The nature of related-party transactions in the first half of 2018 are all of same nature as the ones disclosed in note 20 in Saxo Bank A/S' Annual Report for 2017 (part of the Groups annual report).

8 Assets deposited as collateral

Of the Bank's bond holdings bonds with a nominal value of DKK 3.8 billion (31 December 2017: DKK 4.1 billion), and a fair value of DKK 3.8 billion (31 December 2017: DKK 4.1 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 2018, 17.3% (31 December 2017: 19%) of the Bank's total fair value of bonds were held in custody.

Of deposits with investment brokers, banks and other credit institutions, DKK 84.3 million (31 December 2017: DKK 225 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.

9 Events after the reporting date

Saxo Bank A/S has in July 2018 signed a sales purchase agreement regarding its shares B Circle Holding S.A. (owns 100% of the shares in Saxo Payment A/S). The transaction is expected to be finalised in second half of 2018, pending regulatory approval. The transaction is expected to have no material impact on the statement of financial position. The sale is expected to impact the profit and loss with a gain of approximately DKK 750 million

NOTES – SAXO BANK A/S

Note	(1,000 DKK)	First half 2018	First half 2017
10	Key figures and ratios		
	Highlights		
	Net interest, fees and commissions	473,943	344,951
	Price and exchange rate adjustments	443,254	624,890
	Staff costs and administrative expenses	(750,582)	(701,109)
	Impairment charges loans and receivables etc.	559	7,231
	Income from subsidiaries	145,001	152,325
	Net profit	164,448	243,752
	Loans and other receivables at amortised cost	85,506	82,156
	Subordinated debt	355,458	532,700
	Total equity	4,728,628	4,437,729
	Total assets	32,632,063	34,137,942
	Full-time-equivalent staff (avg.)	1,125	1,059
	Key figures and ratios		
	Total capital ratio	30.3%	24.7%
	Tier 1 capital ratio	27.3%	22.0%
	Return on equity before tax ¹⁾	7.9%	13.0 %
	Return on equity after tax ¹⁾	7.0%	11.0 %
	Income/cost ratio	120.6%	133.7%
	Interest rate risk	3.4%	4.3%
	Foreign exchange rate risk/Tier 1 capital	9.1%	15.5%
	Value at risk of foreign exchange rate risk/Tier 1 capital	0.0%	0.1%
	Loans and other receivables plus impairment charges/Deposits	0.5%	0.4%
	Loans and other receivables proportional to Total equity	0.02	0.02
	Growth in loans and other receivables	4.1 %	(19.7)%
	Excess liquidity coverage/liquidity requirement	409.7%	388.3%
	Sum of large exposures/Total capital	0.0%	0.0%
	Loss and provisions ratio	(0.2)%	(2.8)%
	Return on assets ¹⁾	1.0%	1.4 %

¹⁾Annualised

See definitions in the Groups Annual Report 2017 page 96.

STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management have considered and approved the interim report first half 2018 of Saxo Bank Group and the Parent Company.

The consolidated interim financial statements for the first half of 2018 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 2018 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 2018.

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, 15 August 2018

BOARD OF MANAGEMENT

Kim Fournais
CEO and Co-founder

Søren Kyhl
Group Chief Operating Officer

Steen Blaafock
Group Chief Financial and Risk Officer

BOARD OF DIRECTORS

Henrik Normann
Chairman

Asiff S. Hirji

Wikawi Oei

Jacob Polny

Thomas Plenborg

COMPANY INFORMATION

Company

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Reg. No.: 1149
CVR No.: 15 73 12 49
Website: www.home.saxo

Board of Directors

Henrik Normann	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 Blaafalk	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.