

Remuneration Report 2014

Summary of Group Saxo Bank's Remuneration Policy & Information about the remuneration of Board of Directors, Board of Management and Significant Risk Takers.

Introduction

The Group Saxo Bank Remuneration Policy ("Policy") sets out the remuneration principles applicable to the Saxo Bank Group which supports the overall business strategy of the Saxo Bank Group. The Policy was first implemented following the approval of the Annual General Assembly in April 2011. The Policy was latest approved at the extraordinary General Assembly in December 2014. The Policy is communicated to all employees of the Saxo Bank Group through SaxoNet.

The Policy has been reviewed and revised in 2014 with assistance external legal advisor who has provided input with respect to the practical application of the applicable rules following their changes in 2014 and the procedures and mandates in the Policy, and with input from McLagan and Mercer about effective remuneration design principles and the alignment to Saxo's business strategy and results and how to further align remuneration with performance.

This remuneration report is prepared on the basis of the rules following from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and Danish Executive Order no. 818 of 27 June 2014 on remuneration policies and information requirements on remuneration in the financial sector and is published on Saxoworld.com in connection with the publication of the Group Saxo Bank 2014 Annual Report.

Objective and application

The overall objective of the Policy is to attract, retain, develop and reward the employees who contribute to the value creation of the Saxo Bank Group and thereby support a performance-oriented culture within the Group.

The Policy ensures that remuneration in Saxo Bank is credible, effective and fair, that the ratio of fixed vs. variable salary is adequate, proportional and balanced and finally that the overall remuneration model is aligned with sound and efficient risk management principles. A central part of the Policy is to avoid risk taking that exceeds the level of tolerated risk of the Saxo Bank Group, and at the same time facilitates a flexible remuneration.

The Policy applies to all employees within the Saxo Bank Group, however with respect of national legal requirements and standards.

Furthermore, the Policy covers all forms of remuneration components offered to employees and members of Board of Directors, including, but not limited to, base salary, variable remuneration, pension benefits, non-pay benefits, etc.

Responsibilities of the Board of Directors

The Board of Directors of Saxo Bank A/S is responsible for approving and maintaining the Policy and overseeing its implementation.

In the design and oversight of the Policy, the Board of Directors must properly involve the Saxo Bank Group's corporate functions, i.e. Risk Management, Compliance, Internal Audit, Group Human Resources, etc., and take into account all relevant inputs provided by such corporate functions.

The Board of Directors must ensure that the Policy is consistent with and promotes sound and effective risk management. The Policy must not encourage excessive risk taking and must not prevent the Saxo Bank Group from achieving and maintaining a sound capital base.

The Board of Directors must ensure that, at any time, the Saxo Bank Group's overall corporate governance principles and structures, as well as its interactions with the remuneration system are considered within the design and implementation of the Saxo Bank Group's Policy and remuneration practices.

The Board of Directors must review the Policy on an annual basis at a minimum. Such central and independent reviews must assess whether the overall remuneration system:

- Operates as intended, including, in particular, that the remuneration pay-outs are appropriate, and that the risk profile, long-term objectives and goals of the Saxo Bank Group are adequately reflected;
- Should be adjusted due to development in the business of the Saxo Bank Group; and
- Is compliant with national and international regulations, principles and standards

Remuneration Committee

The Board of Directors of Saxo Bank A/S has decided to establish a Remuneration Committee that held its first meeting in October 2012.

The Remuneration Committee is inter alia responsible for ensuring that the Policy and the actual remuneration practices comply with the regulatory frameworks which the Saxo Bank Group operates within from time to time. Accordingly, the Remuneration Committee prepares updates to the Policy for the Board of Directors' and general assembly's approval. The Remuneration Committee has committed itself to a charter and an annual framework.

The Committee shall comprise at least two or more members of the Board of Directors. Members of the Committee shall be appointed and replaced by the Board of Directors. The Chairperson shall be appointed by and serve at the discretion of the Board of Directors. At least one from the Board of Management will be a regular attendee at the meetings, unless the Committee decides otherwise from time to time. A quorum shall consist of a minimum of two members of the Committee provided one of these is the Chairperson.

Should a legislative requirement for a Remuneration Committee arise, the Board of Directors must ensure that the Remuneration Committee complies with such legal requirements, no later than at the first coming Board Meeting/the first coming Annual General Assembly and in accordance with such legislative requirement.

The Remuneration Committee has committed itself to a charter and an annual framework.

In 2014, the Remuneration Committee has held three meetings in May, November and December and reviewed the Group Saxo Bank Bonus Plan, extensive remuneration data on average pay per active FTE, HC and productivity, salary and bonus data for all employees in Group Saxo Bank earning above a certain threshold, HR Governance procedures for salary increases, promotions and new hires, actual larger salary increases above a certain threshold and the framework for the 2015 salary review process, special termination agreements, special bonus agreements, succession planning and talent management, the Saxo Progression Framework and relevant changes to legislation impacting amongst others remuneration.

Principles of remuneration for the Board of Directors

The Board of Directors of any company within the Saxo Bank Group is compensated only with fixed remuneration, if any, and not with any variable remuneration.

Remuneration of the Board of Directors of Saxo Bank A/S is set individually at a market competitive level that reflects the competencies and contribution required in view of the Saxo Bank Group's complexity and the extent of the tasks and responsibilities.

The remuneration of the Board of Directors of any entity is presented for approval by the Annual General Meeting as a separate agenda item.

Principles of remuneration to the Board of Management

The remuneration package of a member of the Board of Management of any Saxo Bank Group entity may consist of fixed remuneration, variable remuneration, pension benefits and other benefits, such as paid telephone etc.

The remuneration package must enable the Saxo Bank Group to attract management members with the level of qualifications and experience necessary to ensure the Group's achievement of its strategic goals, values and long term interests. The remuneration of each of the members of the Boards of Management is therefore set individually at a market competitive level with regards to the tasks and responsibilities of the respective member.

The results of the members of the Boards of Management are reviewed once a year on the basis of which it is decided whether any adjustments to a member's remuneration package should be made. Any such adjustments must be approved by the Board of Directors of the relevant Saxo Bank Group entity.

Principles of remuneration to the employees

The total remuneration package for employees in the Saxo Bank Group consists of several elements and aims at honouring and encouraging a performance that creates value for the Bank through results as well as behaviour.

The main part of the remuneration package generally consists of fixed remuneration – compensating employees on a monthly basis – in the form of a base salary and often with the addition of a pension benefit and one or more non-pay benefits. The remuneration package furthermore consists of the possibility of variable remuneration, primarily through the Bank's Bonus Plan. The remuneration components are balanced in order to ensure a flexible variable remuneration package and a sound and efficient risk management and may consist of the following elements:

- Fixed remuneration
- Pension benefits
- Variable remuneration
- Guaranteed variable remuneration, only used in special cases and in accordance with applicable legislation
- Commission based remuneration
- A pat on the back
- Severance pay – entitlements on termination of employment

Principles of variable remuneration

Variable remuneration eg any remuneration, whether monetary or non-monetary, where the size/value of which is not known in advance and which is not a part of the employee's fixed remuneration comprises

- any form of remuneration the grant of which is based on the performance of the employee, the division and/or the entity of the Saxo Bank Group in which the employee is employed and/or the Saxo Bank Group (i.e. remuneration granted as part of a variable remuneration or incentive scheme);
- stock options, shares and other financial instruments;
- any non-pay benefits which are granted or made available to the employee on a non-continuous basis; and
- any pension benefits calculated on the basis of any such forms of variable remuneration.

It is only permitted to use forms of variable remuneration approved by the Board of Directors of Saxo Bank A/S.

Payment of any variable remuneration must be based on the following non-accumulative criteria:

- Various performance criteria for the respective calendar year (accrual period).
 - The various performance criteria must align the variable remuneration with sound and efficient risk management principles and must be designed in a way to avoid risk taking that exceeds the level of tolerated risk of the Saxo Bank Group.
 - The various performance criteria must take into account the risks and the performance of the Saxo Bank Group, the business unit/the company in which the employee is employed, and the employee. The performance criteria must consist of both financial (quantitative) and – in particular on the employee-level – non-financial (qualitative) performance criteria. Any financial performance criteria must be linked to risk adjusted profit. The relative importance of each level of the performance criteria must be determined up-front and adequately balanced to take into account the position and responsibilities held by the employee. To the extent possible, the performance criteria must include achievable objectives and measures on which the employee has some direct influence.
 - On the employee-level, the non-financial performance criteria must be linked to adherence to risk management policy and compliance with internal and external rules and must, to the extent relevant

considering the employee's position and responsibilities, also be linked to e.g. the achievement of strategic targets, customer satisfaction, leadership, team work, creativity, motivation and cooperation with other business units and control functions. Negative non-financial performance in the form of unethical or non-compliant behavior must override any good financial performance generated by the Saxo Bank Group, the business unit and the employee and, to the extent relevant considering the employee's position and responsibilities, the same must apply with regard to other non-financial performance criteria.

- If result dependent, the variable remuneration must be based on the results reached by the employee, the results of the division in which he/she works and the result of the relevant Saxo Bank Group entity. The results must reflect current and future risks and any costs and liquidity needs connected to the results.
- The employee's entitlement to any variable remuneration must be conditional on the employee not using any personal hedging strategies or insurance to undermine the risk alignment effects embedded in the variable remuneration scheme.
- Payment of variable remuneration must generally be based and conditional on an assessment of the Saxo Bank Group's and the employing company's financial situation at the time of payout and may only be payable to the extent it does not compromise the financial stability of the Saxo Bank Group and the employing company.

Employees in controlling functions must not participate in any variable remuneration programs dependent on the result of the division which he/she controls.

Guaranteed variable remuneration comprises those forms of remunerations which are generally referred to as – or comparable to – “guaranteed bonus”, “welcome bonus”, “sign-on bonus”, “minimum bonus” and “retention bonus” and which are not part of the employee's fixed remuneration.

It is not permitted to use any guaranteed variable remuneration for any employee. However, in exceptional situations it is possible to use guaranteed variable remuneration on hiring of new employees (except Risk Takers), but then only for the first year of employment.

Risk takers

National and EU legislation sets out a number of special provisions and limitations on variable remuneration for selected employee groups and members of the Board of Directors, including employees who are considered “Risk Takers”.

The following employees and employee groups in Saxo Bank Group are considered Risk Takers for the purposes of the Policy:

- The members of the Board of Directors of any Saxo Bank Group entity
- The members of the Board of Management
- The members of the Executive Team

- Certain members of the Senior Management Team
- Other “risk takers” as defined in applicable legislation

The Board of Directors determines who are to be considered Risk Takers within the entire Saxo Bank Group based on a recommendation from the Board of Management of Saxo Bank A/S. A forum consisting of the Global Head of Finance & Risk, Head of Legal & Compliance, the Risk Director and the Head of Group HR reviews the list of Risk Takers on an annual basis in the beginning of December in order to prepare the recommendation given to the Board of Management.

The definition of risk takers in the Saxo Bank Group must be based on a thorough assessment of roles, responsibilities and actual mandates of positions that could be included as Risk Taker positions by the intention of the legal framework, as well as a sound assessment of risk under the specific characteristics of the Saxo Bank Group’s business. Special attention must be paid to mandates in relation to financial instruments, investment of company funds, trading mandates, control and compliance functions and senior managerial responsibilities. In the process of defining Risk Takers, relevant stakeholders and specialists must be involved e.g.: external legal advisors, risk management, internal legal experts, senior management and business expertise from all relevant business units.

As they fall outside the scope of the legislation, employees in entities outside the EU are not included in the risk taker definition. Employees in Saxo Bank A/S branches within the EU must be assessed as part of Saxo Bank A/S as the managerial and risk management responsibilities lie with Saxo Bank A/S.

Principles of variable remuneration to Risk Takers

Any variable remuneration to Risk Takers must comply with the following additional provisions and limitations described below and in the Remuneration Policy.

The amount of any variable remuneration must be subject to a maximum amount (a ceiling). This means that the amount of any variable remuneration award, calculated at the time of allotment after the end of the respective calendar year (accrual period), must not exceed a certain percentage of the total amount of the Risk Taker’s base salary and any pension benefits for the respective calendar year. This percentage is set as follows:

- For members of the Board of Management of any Danish Saxo Bank Group entity, the percentage is 50.
- For employees in control functions, the percentage is 75.
- For other Risk Takers, the percentage is 200.

Until the annual general assembly in 2014, other Risk Takers could receive variable remuneration of up to 300% of their annual base salary including pension benefits. However, on the annual general assembly on 14 April 2014, the annual general assembly approved that as a result of new legislation, other Risk Takers may only be awarded variable remuneration of up to 200% of their annual base salary including pension benefits..

Payment of variable remuneration to Risk Takers is subject to the rules on deferral claw back etc. as defined in the applicable legislation and in accordance with the Group Saxo Bank Remuneration Policy.

Any variable remuneration awarded to a Risk Taker – the value of which must be calculated at the time of allotment after the end of the respective calendar year – consists of a minimum of 50% of instruments in the form of shares in Saxo Bank A/S, share-based instruments of Saxo Bank A/S and/or other instruments approved under the applicable national and EU legislation (i.e. instruments which reflect the creditworthiness of Saxo Bank A/S). However, for members of the Board of Management of any Danish Saxo Bank Group entity, the value of instruments in the form of warrants, options and similar instruments must not exceed 12.5% of the total amount of the member's base salary and any pension benefits for the respective calendar year.

Payment of at least 40% of any variable remuneration award to a Risk Taker – 60% if the award is equal to or above DKK 750,000, or if this is considered appropriate when considering the impact the Risk Taker can have on the risk profile of the Saxo Bank Group must be deferred over a period of four years for members of the Board of Management or three years for others and/or the responsibilities and tasks performed by the Risk Taker.

The deferral period must start at the time the non-deferred (up front) part of any variable remuneration is paid out. The deferred part of any variable remuneration must be paid out pro rata on an annual basis calculated as of the date stated above. Thus, any variable remuneration must be paid out in three pro rata installments when the deferral period is three years and in four pro rata installments when the deferral period is four years. This applies to both the non-cash (share based instruments) and cash parts of the variable remuneration.

Payment of the deferred part of any variable remuneration must be conditional on:

- the performance criteria forming the basis for the variable remuneration being met in order to ensure that the conditions for the payment of the variable remuneration is fulfilled;
- the Risk Taker not having participated in, or been responsible for, behaviour which has resulted in significant losses for the Saxo Bank Group or not having complied with applicable fit and proper requirements; and
- that the Saxo Bank Group's financial situation has not been substantially weakened compared to the time when the variable remuneration was granted after the end of the respective calendar year.

Review and approval

The Policy will be formally reviewed and approved by the Board of Directors as required but at least once a year and afterwards presented to the shareholders at the next annual general meeting.

This Remuneration Report is also updated on an annual basis and published in connection with the publication of the Group Saxo Bank Annual Report.

Information about variable remuneration - Saxo Bank Group

Total remuneration disbursed in the 2014 financial year (DKK 1,000):

	No. of members	Fixed	Variable
Board of Directors	7	6,165	-
Board of Management	3	31,523	-
Significant Risk Takers	56	106,068	10,734

Remuneration in the 2014 financial year (DKK 1,000) broken down by business area not including Saxo Bank A/S Board of Directors and Board of Management

	No. of members	Fixed	Variable
Investment	7	29,603	1,780
Retail	3	2,341	1,387
Staff Function	7	18,945	7,214
Control Function	22	29,285	0,257
Board	8	1,545	-
Management	9	24,349	0,950

Variable earned salary split in the 2014 financial year (DKK 1,000):

	Cash payment	Shares	Share-based payment	Other instruments
Board of Directors	-	-	-	-
Board of Management	-	-	-	-
Significant Risk Takers	9,843	-	-	0,890

Variable remuneration in the 2014 financial year (DKK 1,000) broken down by disbursement form

	Disbursed	Deferred
Board of Directors	-	-
Board of Management	-	-
Significant Risk Takers	10,734	-

Deferred variable remuneration in the 2014 financial year (DKK 1,000)

	Granted	Disbursed	Reduced
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	2,445	2,445	-

Deferred compensation awarded during the 2014 financial year, paid out and reduced through performance adjustments (DKK 1,000)

	Awarded	Reduced	Paid out
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	1,887	-	1,887

Sign-on and severance pay disbursed in the 2014 financial year (DKK 1,000)

	Sign-on fees	Severance Pay	No. of members
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	8,124	-	2

Severance pay granted in the 2014 financial year (DKK 1,000)

	Total amount	No. of members	Highest award
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	-	-	-

Employees with a total remuneration in excess of mEUR 1 in the 2014 financial year (EUR 1,000)

	No. of members
1,000 – 1,500	1
1,500 – 2,000	3
2,000 +	-

Information about variable remuneration - Saxo Bank A/S

Total remuneration disbursed in the 2014 financial year (DKK 1,000):

	No. of members	Fixed	Variable
Board of Directors	7	6,165	-
Board of Management	3	31,523	-
Significant Risk Takers	26	68,280	2,447

Remuneration in the 2014 financial year (DKK 1,000) broken down by business area not including Saxo Bank A/S Board of Directors and Board of Management

	No. of members	Fixed	Variable
Investment	7	29,603	1,780
Retail	1	0,836	-
Staff Function	4	11,186	0,477
Control Function	14	22,250	0,190
Board	-	-	-
Management	1	4,405	-

Variable earned salary split in the 2014 financial year (DKK 1,000):

	Cash payment	Shares	Share-based payment	Other instruments
Board of Directors	-	-	-	-
Board of Management	-	-	-	-
Significant Risk Takers	1,557	-	-	0,890

Variable remuneration in the 2014 financial year (DKK 1,000) broken down by disbursement form

	Disbursed	Deferred
Board of Directors	-	-
Board of Management	-	-
Significant Risk Takers	2,447	-

Deferred variable remuneration in the 2014 financial year (DKK 1,000)

	Granted	Disbursed	Reduced
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	2,280	2,280	-

Deferred compensation awarded during the 2014 financial year, paid out and reduced through performance adjustments (DKK 1,000)

	Awarded	Reduced	Paid out
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	1,887	-	1,887

Sign-on and severance pay disbursed in the 2014 financial year (DKK 1,000)

	Sign-on fees	Severance Pay	No. of members
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	8,124	-	2

Severance pay granted in the 2014 financial year (DKK 1,000)

	Total amount	No. of members	Highest award
Board of Directors	-	-	-
Board of Management	-	-	-
Significant Risk Takers	-	-	-

Employees with a total remuneration in excess of mEUR 1.0 in the 2014 financial year (EUR 1,000)

	No. of members
1,000 – 1,500	1
1,500 – 2,000	2
2,000 +	-