RISK REPORT 2014

SAXO BANK

Contents

1 Introduction

The Fourth edition of the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) were approved by the EU Council of Ministers end of June 2013. It is a single set of prudential rules for banks across the EU and applies directly to all banks in EU member states. It should help to ensure that the Basel III international standards for bank capital adequacy are fully respected in all EU member states. EU Banks will be supervised by EU member states competent authorities, in collaboration with the European Banking Authority (EBA), whose supervisory powers will be expanded.

According to CRR, Saxo Bank A/S (the Bank) is required to disclose information on the Bank's risks and policies relating to risk management, the calculation of Pillar I and Pillar II capital requirements, Own Funds, Leverage, Liquidity and Asset Encumbrance.

The Bank is required to disclose the information both on Bank level and Group level. This Risk Report covers both the Bank and Group.

1.1 CRR disclosures requirements not covered by this Risk Report

The Bank has decided to omit non-material information about the Bank and the Group according to the general principles in CRR. This means that risks and positions with no exposure, or models that the Bank and the Group do not use, do not appear in this risk report. These include:

- Indicators of global systemic importance according to Article 441 since the Bank is not classified as an institute of global systemic importance
- Exposures to securitisation positions according to Article 449 as the Bank and the Group do not have any securitisation positions
- Use of IRB Approach to credit risk according to Article 452 as the Bank does not use this Approach to calculate the minimum requirement related to credit risk (Pillar I)
- Use of the Advanced Measurement Approach to operational risk according to Article 454 as the Bank does not use this Approach to calculate the minimum requirement related to operational risk (Pillar I)
- Use of Internal Market Risk Models according to Article 455 as the Bank does not use this Approach to calculate the minimum requirement related to market risk (Pillar I)

CRR disclosure requirements and other regulatory disclosure requirements that apply to the Bank's subsidiaries are not covered by this Risk Report.

Regulatory disclosure requirements including Article 450 of CRR (Remuneration policy) are not covered by this Risk Report but disclosed in the "Remuneration Report Saxo Bank 2014" available at www.saxobank.com/investor-relations.

1.2 Information covered by the Risk Report and subsequent events

Information given in this Risk Report concerns the year 2014 unless otherwise stated.

1.2.1 Inclusion of the impact from the Swiss Franc move on January 15, 2015

Due to the sudden material increase in the price of Swiss Franc on January 15, 2015, a number of the Bank's customers ended up with insufficient margin collateral to cover their losses on positions in Swiss Franc. The Bank is liaising with these clients to settle such unsecured amounts. It is expected that some customers will not be able to the settle the balance in full and that the Bank will incur losses in this respect.

Material impact from the expected loss is disclosed by adding some of the disclosure requirements recalculated based on data end January 2015. The expected impact on the Bank's profit and loss is disclosed in the Annual Report 2014.

1.3 Additional disclosure reports according to Danish regulation

Under Danish law the Bank must publish the result of the Internal Capital Adequacy Assessment Process (ICAAP) at least quarterly. The unaudited ICAAP report end year 2014 is available at www.saxobank.com/investor-relations, and covers both the Bank and the Group. The ICAAP report end year 2014 is named "ICAAP Q4 2014".

In addition the Bank must publish a Supervisory Diamond report at least semi-annual. The Supervisory Diamond for banks sets up a number of Supervisory benchmarks to indicate banking activities which initially should be regarded as having a higher risk profile. The unaudited Supervisory Diamond report end year 2014 is available at www.saxobank.com/investor-relations, and covers the Bank.

1.4 Board of Management approval of the Risk Report 2014

This Risk Report has been approved by the Board of Directors in the Bank in connection with the approval of the Group's Annual Report 2014 which is available at www.saxobank.com/investor-relations.

This Risk Report is an annex to the Annual Report 2014 for the Bank and the Group. Any information after the publish date of the Annual Report is not covered by this Risk Report.

The Board members can be seen in the annual report and on the Bank's homepage (www.saxobank.com/investor-relations).

The information in the Risk Report has not been audited by the Bank's external or internal auditors.

2 Scope of application

The following section covers the Bank's scope of application according to the requirements in Capital Requirements Regulation (CRR).

2.1 Applicable institutions

The Capital Requirements Regulation (CRR) and the Danish implementation of the fourth edition of the Capital Requirements Directive (CRD IV) apply to **Saxo Bank A/S (Saxo Bank), Philip Heymans Allé 15, DK-2900 Hellerup, company registration no. 15 73 12 49**.

The Bank is required to fulfil the above requirements in the above regulation on both the Bank level and the Group level. This Risk Report covers both Bank and Group.

2.2 Consolidation for accounting and prudential purposes

The following table shows specifications of the Bank's subsidiaries, name of each subsidiary, their types of licenses, countries where the subsidiaries are located, consolidation methods for accounting purposes, consolidation methods for prudential purposes (CRR regulatory capital consolidation) and the local requirements that apply as of December 31, 2014. More information regarding regulatory capital can be found in the sections 4-6.

The same consolidated method is used in calculation of the Risk Exposure Amounts for credit risk and operational risk on the Group level. On Group level, the elimination of internal trades is not allowed when calculating the Risk Exposure Amounts for market risk, which is why the Risk Exposure Amounts for market risk is the sum of Risk Exposure Amounts for every subsidiary (all calculated using CRR). More information's about Risk Exposure Amounts in the sections 5-7.

The same consolidation is used in calculation of the current Danish minimum requirement for liquidity risk on Group level. The forthcoming liquidity requirements in CRR use other principles for consolidation purposes according to issued report from EBA. More information regarding liquidity requirements can be found in the sections 9 and 10.

Table 1: Saxo Bank Subsidiaries

Owner	Company Name	Type of license	Domicile	Voting power of holding	IFRS Consolidation method	CRR Regulatory Capital Consolidation	Local Regulation
-	Saxo Bank A/S	Licensed Bank	DENMARK	100%	Fully consolidated (1)	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Banque France SAS, France	Licensed Bank	FRANCE	100%	Fully consolidated (1)	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Bank FX K.K., Japan	Licensed Broker	JAPAN	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Bank (Switzerland) AG, Switzerland	Licensed Bank	SWITZERLAND	100%	Fully consolidated (1)	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Capital Markets CY Limited, Cyprus	Licensed Broker	CYPRUS	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation based on Basel II

Saxo Bank A/S	Saxo Capital Market Pte. Ltd., Singapore	Licensed Broker and Capital Markets Services	SINGAPORE	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Capital Markets UK Ltd., UK	Licensed Broker	UNITED KINGDOM	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Privatbank A/S, Denmark	Licensed Bank and Broker	DENMARK	99.6%	Balance sheet fully consolidated including Purchase Price Allocation (PPA)	External capital consolidated in capital calculation based on CRR consolidation model. Other items fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Bank Dubai Ltd., Dubai	Category 4 financial services firm	UNITED ARAB EMIRATES	100%	Fully consolidated (1)	Fully consolidated	Local regulation
Saxo Bank A/S	Saxo Capital Markets Pty Ltd, Australia	Licensed Broker	AUSTRALIA	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saco Capital Markets Menkul Degerler Anonim Sirketi, Turkey	Licensed Broker	TURKEY	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Capital Markets SA Ltd., South Africa	Licensed Broker	SOUTH AFRICA	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Payments A/S	Licensed Payment Service Provider	DENMARK	50.1%	Fully consolidated (1)	Minority not consolidated in capital calculation as its not eligible acc. to CRR. Other items fully consolidated	EU Payment Service Directive implemented in Denmark
Saxo Bank A/S	Saxo Capital Market HK, Hong Kong	Holds 3 licenses: Type 1 - dealing in Securities, Type 2 - dealing in Futures, Type 3 - Leverage Foreign	HONG KONG	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Capital Markets Agente de Valores S.A., Uruquay	Licensed Broker	URUGUAY	100%	Fully consolidated (1)	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Capital Markets S.A., Panama	Representative office license	PANAMA	100%	Fully consolidated (1)	Fully consolidated	N/A
Saxo Bank A/S	Saxo Bank do Brasil Excritório de Rep. Ltda, Brazil	Representative office license	BRAZIL	100%	Fully consolidated (1)	Fully consolidated	N/A
Saxo Bank A/S	Saxo Capital Markets BV, Netherland	Operating under Saxo Bank A/S license	NETHERLANDS	100%	Fully consolidated (1)	Fully consolidated	N/A
Saxo Bank A/S	SBFS Limited, UK	Financial spread trading service license	UNITED KINGDOM	100%	Fully consolidated (1)	Fully consolidated	Local regulation
Saxo Bank A/S	Ejendomsselskabet Bygning 119 A/S, Denmark	Non-financial	DENMARK	100%	Fully consolidated (1)	Fully consolidated	N/A
Saxo Bank A/S	Initto A/S, Denmark	Non-financial	DENMARK	100%	Fully consolidated (1)	Fully consolidated	N/A
Saxo Bank A/S	Saxo Jet A/S, Denmark	Non-financial	DENMARK	100%	Fully consolidated (1)	Fully consolidated	N/A
Saxo Bank A/S	Saxo Treasury A/S, Denmark	Non-financial	DENMARK	100%	Fully consolidated (1)	Fully consolidated	N/A

1) The consolidated financial statements have been prepared in accordance with IFRS as a consolidation of the financial statements of Saxo Bank A/S and subsidiaries prepared according to the Group's accounting policy. On consolidation, intra-group income and expenses, shareholdings, intra-group balances, and realised and unrealised gains and losses on intra-group transactions are eliminated.
The non-controlling interest's share of the net profit/loss for the year and of the equity of subsidiaries, which are not wholly owned, are included in the Group's net profit/loss and equity, respectively, but is disclosed separately.

More information regarding the consolidation methods for accounting purposes can be found in the Annual Report 2014. The Bank's Annual Report 2014 is available at www.saxobank.com/investor-relations.

Additional Own Funds disclosure requirements, according to Commission Implementation Regulation No 1423/2013, are disclosed in Annex A. This includes the specification of consolidation of external capital issued by the subsidiary Saxo Privatbank A/S in the capital calculation of the Group.

The subsidiaries' disclosure requirements are performed by management in the subsidiaries and are not included in this Risk Report.

2.3 Restrictions on transfer of own funds in the group

The Bank's financial subsidiaries, in and outside Denmark, comply with the same regulation or local capital and liquidity requirements (shown in table 1). In addition, non-financial subsidiaries may have other legal restrictions. Transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries should comply with all regulatory requirements. These requirements limit the transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

3 Risk Management objectives and policies

3.1 Risk Management Organisation

The Group's overall risk framework is established by the Board of Directors and based on recommendations from the Board appointed Board Risk Committee. The Bank's risk management framework is contained in various instructions and policies that set the limits of the Bank's risk taking activities. The Board Instructions specifically determine the Bank's risk appetite on credit, market, operational, liquidity and business risks. This appetite is delegated to the Board of Management via specific limits where applicable, policies and instructions, and further to the business units as applicable.

The Board has issued a market risk policy, which establishes guidelines for market exposure, a credit risk policy, which establishes guidelines for managing counterparties and credit limits and an operational risk policy, which established guidelines for minimizing operational risk exposure. The Board of Management applies the Board Instructions through the implementation of a risk management framework, governed by the Management Risk Committee.

The Risk Director has the overall responsibility for implementing the risk management framework including risk oversight, assurance approaches, models and reports. The continuous monitoring and controlling of risks are also delegated to the Risk Director and are centralised in the risk management department. In addition, the risk management department is responsible for monitoring the documentation of key activities.

The Bank and the Group are exposed to a number of risks, which can be categorised as follows:

Market risk: The risk of loss due to movements in market risk factors

Credit risk: The risk of loss due to counterparties of the Bank and Group failing to meet their agreed obligations

Operational risk: The risk of loss resulting from inadequate or failed processes, people or systems

Liquidity risk: The risk of being unable to meet obligations as they fall due

Leverage risk: The risk of loss resulting from too high leverage

Business risk: The risk related to the macro-environment and the competitive environment within the banking industry

The Group reports on the above risk categories to:

- The Board of Directors on a regular basis
- The Danish FSA regarding capital requirements and adequacy quarterly and monthly
- The business units on a regular basis

3.1.1 Lines of defence

The Bank has deployed a "three lines of defence" approach to risk management, which is illustrated in figure 1 where the first line of defence is represented by the Markets (predominantly market risk exposure), the Lines of business (predominantly credit risk exposure) and IT & Operations (predominantly operational risk exposure), however everybody forms part of the Banks's first line of defence in one way or another and are accountable as such. Getting this type of risk awareness and accountability has been one of the key priorities and focus areas in 2014. The second line is represented by the Risk and Capital Management function residing in the Finance and Risk department. The third line is represented by Internal Audit.

Figure 1: Three lines of defence

3.2 Risk Committees

3.2.1 Board Risk Committee

The Board Risk Committee was approved on the Board meeting in March 2014, and was officially established by approving the Board Risk Committee charter at the Board meeting held in May 2014:

The Board Risk Committee consists of the following Board members;

• Sarah McPhee, Chairman

• Lone Fønss Schrøder

• Thomas Plenborg

The Board Risk Committee shall advice the Board of Directors regarding current and future risk appetite, risk strategy and assist the Board of Directors in overseeing the implementation of that strategy by Board of Management.

The roles and responsibilities of the committee include reviewing and advising the Board of Directors on:

• Current and future risk-profile and risk-strategy;

• Implementation of the risk-strategy;

• Financial products and services in relation to the business-model and risk-strategy;

• Remuneration alignment in accordance with risk, capital & liquidity and the likelihood and timing of income.

The Board Risk Committee has held two meetings during 2014 since the start in May 2014.

3.2.2 Management Risk committee

The Management Risk committee was established by approving the charter in connection with the Executive Team meeting in June 2014.

The Management Risk committee consists of the Executive Team and is chaired by the Group Chief Financial & Risk Officer. Furthermore, the Risk Director and the Head of Legal and Compliance are present at all Committee meetings. The committee is responsible for setting principles for measuring, managing and reporting the Group's risk types and regulatory requirements according to the risk strategy and according to applicable regulations specifically taking into account:

• Credit, Market, Operational, Liquidity including Asset Encumbrance and Business risks

• Insurance, IT-security and Outsourcing policies

• Capital (including Leverage risk) and Accounting principles (Transfer Pricing, Prudent valuation and Price Determination)

• Subsidiaries

Furthermore, the committee is responsible for maintaining the Bank's Risk Framework, specifically taking into account; resources, sufficient controls, segregation of duties, risk policies and procedures, contingency plans, board risk committee reporting, products, pricing and services, risk governance, and risk reporting.

The Management Risk Committee has held four meetings during 2014 since the start in June 2014.

3.2.3 Client Risk Committee

The purpose of the Client Risk Committee is to discuss relevant client risk issues identified, if any, by the respective committee members. It is the responsibility of the Committee to initiate necessary preventive actions on discussed client risk issues.

The committee consists of appointed risk members within the following departments, which are not necessarily the heads of the units; Group Risk & Capital Management, Corporate Operational Risk and Security (CORS), Group Credit, Market Analysis & Control, Group Legal & Compliance, Markets, Global technology & Operations, Trading Surveillance, Private Line of Business, White Label Client Line of Business, Institutional Line of Business and Sales Trading.

3.3 Risk Declarations and statements

The Bank's Board of Directors and Board of Management have approved this Risk Report for 2014 according to article 425 in CRR.

The Bank's business strategy is based on the Bank's vision and values to be a strong and attractive partner for private and commercial companies within its area of operation. The Bank aims at driving profitable growth based on the pricing of the Bank's products, reflecting the risks and the capital requirements hereof, which the Bank will undertake together with an overall assessment of its business with customers and counterparties. The Board's risk appetite is controlled via limits established in applicable policies.

It is the Board's assessment that the Group's risk management systems are adequate in relation to the Bank's risk profile and strategy and also comply with the applicable regulation and standards that are appropriate and consistent with the Group's business model. Furthermore, it is the Board´s assessment that the following description of the Group's overall risk profile associated with the Bank's business strategy, business model and fundamentals, gives a relevant and comprehensive picture of the Bank's risk management, including how the Bank's risk profile and risk appetite influence each other.

The board assessment is based on the Board's adopted business model and strategy, material and reports presented to the Board by management, internal and external audit, risk managers and compliance managers, and on the basis of any additional information or explanations requested by the Board.

A review of the business model and policies shows that the Bank's business model's overall requirements for the individual risk exposures are sufficiently fulfilled and covered by the individual policies' and specified limits. A review of the Board's Instructions to the Board of Management shows that the limits set in individual policies are fully reflected in the underlying procedures and that consequently there is consistency between the business model, policies, guidelines and the risk exposures within individual areas.

4 Capital requirements

The purpose of the Group's capital management practice is to ensure that the Group has sufficient capital at all times to cover the risks associated with its activities. The framework for the Group's capital management is rooted in the fourth edition of Capital Requirement Directive's (CRD IV) Pillars I, II and III. Pillar I contains a set of rules for calculating the minimum capital requirement. Pillar II describes the framework for the Group's Internal Capital Adequacy Assessment Process and the supervisory review, while Pillar III contains the disclosure aspect.

The Bank and the Group must hold a capital level at least equal to the current Internal Capital Adequacy Assessment Process (ICAAP) level as determined by the Board of Directors. The ICAAP level cannot be less than the minimum regulatory requirement equal to 8% of risk exposure amounts.

The calculation of the ICAAP is based on an internal process during which management assess the overall risks. The ICAAP is updated regularly as capital requirements are subject to change due to changes in the business as well as risks and controls, both internally and externally.

The Bank expects the forthcoming capital regulation to include changes in the above model used by the Bank. More information is disclosed in the section 10.

4.1 ICAAP Process

Group Risk & Capital Management is responsible for the preparation of the ICAAP Report, by collecting, simulating and aggregating relevant data and information from stakeholders and experts across all business units in the Group. The Risk Director evaluates the results and comments on them before they are reported to the Board Risk Committee and Board of Management and subsequently presented to the Board of Directors. The ICAAP follows six steps:

Step 1: Capital requirement according to CRR (Pillar I)
Step 2: Self assessed capital requirement using a quantitative approach (part of Pillar II)
Step 3: Capital requirement using the 8+ approach (part of Pillar II)
Step 4: Self assessed capital requirement using a scenario based approach (part of Pillar II)
Step 5: Capital adequacy determination, based on the 4 previous steps (Pillar II)
Step 6: Disclosure (Pillar III)

4.2 Main activities covered by the ICAAP

The Bank carries out the following main activities:

- **Online trading and investment** and other investment services within capital markets to retail clients, corporations, financial institutions and white label clients. These activities are driven through the Bank and subsidiaries in Singapore, Swiss, France, UK etc. These subsidiaries must comply with local capital and liquidity requirements on individual level. Only the Bank and the subsidiary in France that has a bank license apply CRR on an individual level.

- **Classic bank services** primarily in Denmark through the subsidiary Saxo Privatbank A/S, primarily to retail clients, hereunder bank accounts and debit/credit cards, mortgage credit, bank advice services and pension products. Saxo Privatbank A/S activities include professional **portfolio, fund and asset management** to retail and professional clients. Saxo Privatbank A/S applies CRR.
- Group Services, a **property company** in Denmark with the sole purpose of owning the Bank's headquarter and an **IT and service company** in India with the purpose to service the Bank.
- 25% **holdings in Banco Best** (associated company) and a 51% of **Saxo Payments** (subsidiary) with payment services activities.

4.3 Capital requirement according to CRR (Pillar I)

To calculate the minimum capital requirements, Pillar I, the Bank applies the following methods according to the Capital Requirements Regulation (CRR) to calculate the Risk Exposure Amount:

- Credit Risk: The Standard Method
  - Counterparty Risk: Mark-to-Market Method
  - Credit Risk Mitigation: Financial Collateral Comparative Method
- Market Risk: Standard Methods
  - Share Price Risk: The Standardized Approach
  - Currency Risk: The Standardized Approach
  - Interest Rate Risk: The Standardized Approach
  - Option Risk (gamma, vega): The Scenario Approach
  - Commodity Risk: The Maturity Ladder Method
- Operational Risk: Basic Indicator Method

The Group and Bank do not take diversification effects between the risk categories into account. The capital requirements for each risk category is simply aggregated.

To assess the actual risks internal approaches and methods are applied, including other than the CRR methods in the case where internal methods better reflect the actual risks of the Bank.

The Bank and the Group are both subject to regulatory capital requirements and therefore need to comply with CRR.

4.4 Self-assessed capital requirement using a quantitative approach (Pillar II)

Each of the above stated business activities utilize a different approach with regards to ICAAP as the underlying risks are very different in nature.

Across all the **online trading and investment** companies in the Group, the overall approach for assessing the capital requirement is identical. Basically the model considers different ways of assessing the capital requirement, and compares the results hereof. This document accounts for the used "internal quantitative approach" according to the ICAAP guidelines issued by the DFSA and the aggregation of risks related primarily to the Group's online trading and investment activities.

For **online trading and investment** subsidiaries, the internal method described herein is applied. The approach applied is simplified to reflect the level of activity and complexity of the individual subsidiary, but uses the same parameters as previously described. Simulations are executed at group level, including subsidiaries, as well as at individual level, i.e. standalone simulation per legal entity.

Saxo Privatbank A/S uses the" standard models" in the ICAAP guidelines issued by DFSA. The results, approved by the Board in Saxo Privatbank A/S are used as input on Group Level. On the Bank's level the ICAAP is calculated based on risks on the holdings in the subsidiaries.

On other subsidiaries (Saxo Property and IT) and associated holdings the minimum requirements are used in the ICAAP. On the Bank level the ICAAP is calculated based on risks on the holdings etc. in the subsidiaries.

4.4.1 Risk models and mapping of risk types to models

The different risk types the Bank is exposed to have been examined and split into ICAAP risk categories as shown in Table 2 different methods are applied to assess the Bank's capital need in each category, which are described in the following sections.

Table 2: Overview of division of Risk Types into Risk Categories

Risk Types/Risk categories	Credit Risk	Market Risk	Operational Risk	Business Risk	Liquidity Risk	Leverage Risk
General	√	√	√	√	√	√
Earnings				√		
Growth				√		
Credit risk	√					
Market risk		√				
Concentration risk	√	√		√		
Group risks	√	√	√	√	√	√
Liquidity risk					√	
Leverage risk						√
Operational risk			√			
Control risk			√			
Business size				√		
Settlement risk	√		√			
Strategic risk				√		
Reputational risk			√	√		
Non-trading interest rate risk		√				
External risk	√		√	√	√	√
Other conditions	√			√		
Stress testing	√	√	√	√	√	

Table 3 gives an overview of the different methods across risk types. Four models are applied.

Table 3: Overview of ICAAP Methods

Standard external model used as internal model	Internally developed model	Standard approach	Ad hoc Approach
● Market	● Credit	● Liquidity	● Strategic Risk
	● Operational	● Leverage	● Buffers on different risk types
		● Business	

An external model is used for market risk, this is the same underlying model as used for the daily market risk management and used as internal model according to the ICAAP guideline issued by DFSA. An internal model is used for quantifying credit risk and operational risk. Standard Approaches is used as input for quantifying liquidity, leverage and business risks and an ad hoc approach is used for strategic risk and several buffers on different risk types.

Below we consider the approaches used for each risk type.

4.4.2 Self assessed capital requirement using a scenario based approach (part of Pillar II)

The ICAAP stress testing is completed to ensure that the previously assessed adequate capital level for the Group is challenged with severe, but not impossible, stress scenarios.

A number of stress scenarios have been outlined in the various single risk areas. Furthermore, combined scenarios have been created assuming a number of events taking place simultaneously, ensuring a very severe and highly unlikely event. Where applicable, mitigating measures, like contingency plans and insurance coverage, are applied. The stress scenarios are presented with both gross and net impact levels.

The Bank also conducts an income sensitivity analysis to ensure that business risks are covered as a part of the budgeted income.

The stress scenarios are calculated both gross and net and are compared to the Bank's capital buffer, as well as the assessed capital requirement.

The income sensitivity scenarios are shown comparatively to the Bank's estimated income.

4.4.3 Capital requirement using the 8+ approach (part of Pillar II)

The Group compares the Pillar I calculated capital with the Pillar II internal approach. The largest numbers across risk types are summed up. The result is compared with the outcome of a suite of scenarios, and the largest number will represent the capital requirement of the Bank and the Group, as per defined by 8+ approach.

Calculated buffers related to Business Risk and Other Risks are added to the results from the 8+ approach.

4.5 Regulatory requirements

The Capital Requirements Regulation (CRR) and the Danish implementation of the fourth editions of the Capital Requirements Directive (CRD IV) apply to the Bank. As a part of the Danish implementation of CRD IV, the Bank is required to perform an Internal Capital Adequacy Assessment Process (ICAAP) in accordance with Danish guidelines, issued by the DFSA.

The Bank is required to fulfil and report these capital requirements on both the Bank level and Group level.

The Bank reports Total Capital (Own Funds), Risk Exposure Amounts (Risk Weighted Assets) and ICAAP level to DFSA according to Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) developed by The European Banking Authority (COREP templates) and additional reporting requirements issued by DFSA.

4.6 Regulatory Capital Structure

The Total Capital of the Bank and the Group is calculated in accordance with the Danish implementation of CRR and CRD IV, including the Danish transition rules, as stated in the Regulatory Landscape.

The Bank and Group report each month in regards to the capital requirements to the DFSA.

The implementation of CRR primo 2014 had a positive impact on Common Equity Tier 1 Capital due to changes in regulatory deductions, a shift of some capital deductions to Risk Exposures Amounts and a negative impact from regulatory recognition of subordinated debt. The impact primo 2014 is disclosed as part of the statement of Total Capital. See further in the Annual Report 2014 on www.saxobank.com/investor-relations.

The Bank and Group met their regulatory capital requirements throughout the year 2014.

The Common Equity Tier 1 Capital decreased in January due to the Swiss Franc move which resulted in a loss in net income. The increase in Accumulated other comprehensive income is primarily due to increase in Goodwill nominated in CRR which is deducted in the Common Equity Tier 1 Capital. The impact on total Risk Exposure Amounts is small.

Values recognized in the Total Capital are based on accounting values in accordance with the Danish Executive Order on financial report of credit institutions and investment companies. A reconciliation with the balance sheet can be found in Annex A.

Table 4: Total Capital of Saxo Bank Group and A/S

DKK 1,000		Saxo Bank Group Q4 2014	Saxo Bank Group JAN 2015 Estimate	Saxo Bank A/S Q4 2014	Saxo Bank A/S JAN 2015 Estimate
Shareholders' equity start of year ex. minority		**3,458,013.0**	**3,860,320.0**	**3,458,012.0**	**3,860,887.8**
	Net income ex. minority	394,712.3	(497,664.0)	399,721.8	(497,664.0)
	Interest (dividend) related to Additional Tier 1	(3,080.0)	(2,810.9)	(3,080.0)	(2,811.0)
	AT1 cost	(5,860.9)	-	(5,860.9)	
	Accumulated other comprehensive income	(6,403.5)	103,141.5	(6,402.3)	103,141.5
	Change in CET1 Capital	2,000.1	-	2,000.0	-
	CET1 capital from subsidiaries	144,575.1	101,776.1	-	-
	Cash Flow Hedge Reserves	60,567.5	67,151.7	-	-
	Goodwill including associates	(1,002,605.5)	(1,093,283.6)	(992,599.3)	(1,083,093.9)
	Intangible assets	(929,033.4)	(922,442.3)	(963,723.3)	(956,602.0)
	Deferred tax liabilities ass.to other intangible assets	189,133.1	182,225.1	201,249.3	194,594.6
	Deferred tax asset that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(10,015.0)	(181,585.8)	-	(117,055.3)
	Defined benefit pension fund assets	-	-	-	-
	AVA adjustment (based on EBA draft model)	(6,682.2)	(6,682.2)	(4,843.9)	(4,843.9)
Common Equity Tier 1 Capital		**2,285,320.5**	**1,610,145.5**	**2,084,473.4**	**1,496,553.8**
	Additional Tier 1	334,802.0	334,802.3	334,802.3	334,802.3
	T1 capital from subsidiaries	2,459.0	4,483.3	-	-
Tier 1 Capital		**2,622,581.5**	**1,949,431.0**	**2,419,275.6**	**1,831,356.0**
	Subordinated loans after solvency deduction	189,361.0	153,559.0	189,361.0	153,559.0
	T2 capital from subsidiaries	10,241.0	12,865.0	-	-
Total Capital		**2,822,183.5**	**2,115,855.0**	**2,608,636.6**	**1,984,915.0**
Risk Exposure Amounts		**14,300,007.7**	**14,383,186.8**	**11,820,073.7**	**11,235,311.6**
hereof	Credit Risk	4,601,367.2	5,192,149.4	4,311,731.9	4,310,558.0
	Market Risk	3,671,262.4	3,487,653.7	3,289,494.9	3,200,654.6
	Operational Risk	6,027,378.1	5,703,383.7	4,218,846.9	3,724,099.0
Capital ratio's					
	Common Equity Tier 1 ratio	16.0%	11.2%	17.6%	13.3%
	Tier 1 ratio	18.3%	13.6%	20.5%	16.3%
	Tier 2 ratio	19.7%	14.7%	22.1%	17.7%

4.7 Common Equity Tier 1

During the year 2014 there was a positive impact on Common Equity Tier 1 Capital due to positive earnings in 2014 and other regulations in the capital calculation.

In accordance with the CRR and the Danish Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need, the calculation of shareholder's equity is subject to certain deductions:

- Intangible assets, including goodwill
- Deferred tax assets
- Defined benefit pension fund assets

- Prudent valuation adjustment (AVA adjustment)

The gradual phase-in of the CRR decreases the amount of capital stemming from Saxo Privatbank, as all the capital elements owned by third parties in Saxo Privatbank are ineligible according to CRR and are thereby included in accordance with the Danish transitional rules, both on the Saxo Privatbank level and again on the Group level. This applies to CET1, AT1 and T2.

The Group has implemented a preliminary core approach model according to the draft Regulatory Technical Standard (RTS) issued by EBA for prudent valuation adjustments which has been applied for the past year. As the largest part of the fair value assets on the trading book are highly liquid, these account for a very small part of the deduction, but illiquid assets such as unlisted equities account for the largest part.

There are uncertainties related to the scope of the two models presented in the RTS and as the RTS has not been finalized by EBA there are few interpretations thereof. Depending on the final version and coming interpretations the Group will evaluate which approach will be more feasible to implement. The deduction is thereby subject to change.

4.8 Additional Tier 1

During the autumn 2014 the Bank refinanced DKK 94 million of government state hybrid capital in the subsidiary Saxo Privatbank with an issue of fully compliant to CRR Additional Tier 1 Capital of EUR 45 million (DKK 335 million). This refinancing had a positive net impact on the Tier 1 Capital around DKK 247 million.

4.9 Tier 2

The subordinated debt issued before 2014 by the Group does not fulfil the requirements in CRR. The amount of subordinated debt allowed for inclusion in the capital will be reduced stepwise from beginning of 2014 to end of 2017 according to CRR and Danish transition rules. End of 2017 none of the subordinated debt will be eligible for inclusion in the capital.

Further details regarding the reconciliation of Total Capital to the Balance sheet, transitional effects and details on the Group's capital elements can be found in Annex A.

Additional own funds disclosures requirements, according to Commission Implementation Regulation No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to CRR are disclosed in Annex A.

4.9.1 Minimum requirements

The minimum capital requirement for Common Equity Tier 1 is 4.5% of the Risk Exposure Amounts. Due to Danish transitions rules this minimum requirement has been phased in gradually from minimum 4% in 2014 to 4.5% from 1 January 2015.

The minimum capital requirement for Tier 1 Capital is 6.0% of the Risk Exposure Amounts. Due to Danish transitions rules this minimum requirement will be phased in gradually from minimum 5.5% in 2014 to 6.0% from 1 January 2015.

The minimum capital requirement for Total Capital is 8.0% of the Risk Exposure Amounts.

4.10 Additional buffer requirements

According to CRD IV the Bank will also be required to hold a capital conservation buffer to absorb losses and protect the capital, and a countercyclical capital buffer to ensure that in times of economic growth, the Bank accumulates sufficient capital to enable it to continue supplying a stable source of credit in stress periods. In Denmark the capital conservation buffer will be phased in from 2016 and the countercyclical capital buffer from 2015. In addition, member states may require additional buffers. If a bank does not maintain these buffers, restrictions will be placed on its ability to pay dividends etc. until the buffers are rebuild.

As of 31 December 2014, the above buffer requirement is 0% of the Risk Exposure Amounts.

Currently, Denmark has not published a countercyclical capital buffer against Danish Exposures.

Since the Bank and Group have credit risk exposures in many countries it is likely that the Bank in the future should hold a countercyclical capital buffer above 0% if local member states decides to set a countercyclical capital buffer requirement against local exposures.

4.11 Current ICAAP requirement

The Bank and Group must hold a Total Capital of at least equal to the current ICAAP level as determined by the Board of Directors. This ICAAP level cannot be less than the minimum regulatory requirement equal to 8% of Risk Exposure Amounts.

As of 31 December 2014, the Group's ICAAP showed a capital requirement of 12.1% of Risk Exposure Amounts, equivalent to DKK 1.74 billion. The Common Equity Tier 1 buffer was DKK 1,086 million corresponding to 7.6% of Risk Exposure Amounts.

As of 31 December 2014, the Bank's ICAAP showed a capital requirement of 12.2% of Risk Exposure Amounts, equivalent to DKK 1.44 billion. The Common Equity Tier 1 buffer was DKK 1,128 million corresponding to 9.4% of Risk Exposure Amounts.

Due to the Swiss Franc move on January 15 the Group's Common Equity Tier 1 Buffer end January 2015 amounted to DKK 243 million corresponding to 1.7% of Risk Exposure Amounts, and the Bank's Common Equity Tier 1 Buffer end January 2015 amounted to DKK 291 million corresponding to 2.6% of Risk Exposure Amounts.

The ICAAP Q4 2014 Report provides additional information regarding the Bank's and the Group's ICAAP level including a disclosure of the high level impact from the Swiss Franc move on January 15 2015, based on a recalculation of the capital and capital requirements end January 2015. The quarterly ICAAP reports are available at www.saxobank.com/investor-relations.

5 Market Risk

Market risk is defined as the risk of loss due to movements in market prices on underlying risk factors such as foreign exchange, equities, commodities and interest rates.

The market risk in the Group arises as part of offering competitive prices, the main role of the Group's trading function is to optimise the trading flow i.e. determine the timing of covering the risk in the market. Even though the large majority of the Group's exposures due to client trading are hedged directly with brokers, significant adverse movements in the foreign exchange, equity, commodity or interest rate markets or other external events are outside the Group's control. These exposures may have a material adverse effect on the Group in spite of the fact that the Group measures and monitors market exposures and hedges, losses, VaR and Greeks closely intraday, and reports these daily to the Board of Management. Procedures related to market activities are documented and followed. The Group calculates current market risk exposures in externally developed systems that are linked to the trading systems and cover all of its market risk positions.

The Board of Directors has set limits for the different risk factor types via the Board instructions, which are subsequently distributed to the trading organisation and to the Group's subsidiaries as applicable. The limits are monitored by the risk management department and utilisation is reported to all governing levels of the Group, including the Board of Directors.

The Group's market risk management covers all of the Bank's asset, liabilities and off-balance-sheet items. The Board of Directors sets the overall risk policies for the Group's market risk exposures, including risk appetite through general instructions and risk limits.

Objective

The objective of market risk management is to manage and control market risk exposures within the Board given mandate.

Market Risk Appetite

The Group's market risk appetite is the total appetite for market risk given its business strategy and the market environment expected in the near future. A part of the internal capital adequacy approach is to quantify the capital requirements due to both actual exposures (risk profile) and fully utilized market risk limits.

The market risk in the Group has been determined using an exponentially weighted moving average VaR approximation to derive Expected Shortfall (ES) on the Group's and Bank's actual outstanding exposures. To better reflect the Group's and Bank's risk appetite the most recent monthly and weekly averages are compared and the largest number is selected as being representative of the Group's and Bank's current market risk appetite. The model uses actual correlations within the traded portfolio. ES is determined with 99.97% confidence, and a one day time horizon on OTC products, and a two day time horizon for products traded on an exchange, as the vast majority of the trading exposure can be eliminated within one or two days respectively. Subsidiaries market risk has been included based on the underlying business activity.

5.1 Risk Exposure Amount according to CRR

To calculate the minimum capital requirements, Pillar I, the Bank and Group apply the following methods according to CRR to calculate the risk exposure amounts for market risk.

- **Market Risk: Standard Methods,** according to Title IV in CRR
  - Share Price Risk: The Standardized Approach, according to Title IV, section 3 in CRR
  - Currency Risk: The Standardized Approach, according to Title IV, chapter 3
  - Interest Rate Risk: The Standardized Approach, according to Title IV, section 2, hereof duration-based calculation of general risk according to article 340 in CRR
  - Option Risk, non-delta (gamma, vega): The Scenario Approach according to COMMISSION DELEGATED REGULATION (EU) No 528/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for non-delta risk of options in the standardised market risk approach and the following issued corrigendum.
  - Commodity Risk: The Maturity Ladder Method according to article 361 in CRR

The risk exposure amounts related to market risk consist of:

- Interest rate risk regarding positions in the trading book
- Share price risk regarding positions in the trading book
- Commodity risk regarding all commodity positions excluding gold positions
- Foreign-exchange risk regarding all foreign-exchange positions including gold positions

The trading book consists of all positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged.

Exposures to various types of market risk for the Bank and the Group end 2014 are disclosed below. In addition, the minimum capital requirements corresponding to 8% of risk exposure amounts.

According to regulatory requirements it's not allowed to take diversification effects between the risk categories into account. The risk exposure amounts for each risk category are simply aggregated.

The total risk exposure amount as of 31 December 2014 was higher compared with the same amount as of 31 December 2013. The increase is primarily due to changes in regulation where some assets were moved from deductions in the capital to Risk Exposure Amounts on credit risk and higher market risk capital requirements on options non-delta risk.

The Bank expects the forthcoming capital regulation to include changes in the above model used by the Bank. More information is disclosed in the section 10.

5.1.1 Risk Exposure Amounts for Market Risk end 2014

Table 5 presents the risk exposure amounts and the minimum capital requirement corresponding to 8% of the risk exposure amounts for market risk end 2014.

Table 5: Risk exposure amounts (31/12/2014).

DKK 1,000	Saxo Bank A/S		Saxo Bank Group	
Risk Category	**Risk Exposure Amount**	**Minimum Capital requirement**	**Risk Exposure Amount**	**Minimum Capital requirement**
Foreign Exchange Risk	1,916,083	153,287	2,008,488	160,679
hereof non-delta risk	*1,022,013*	*81,761*	*1,022,013*	*81,761*
Interest Rate Risk	1,042,716	83,417	1,320,476	105,638
Equity Risk	52,471	4,198	64,073	5,126
Commodity Risk	278,225	22,258	278,225	22,258
hereof non-delta risk	*14,562*	*1,165*	*14,562*	*1,165*

5.2 Exposures in equities not included in the trading book

Equities outside the trading book are valued at fair value, with a value adjustment in the Total Capital. Investment securities and associates are measured according to the equity method. Other investment securities (banking related investments) are measured based on third party pricing information.

Unrealized losses and gains that are included in the Group's profit/loss are thereby also included in the Group's Total Capital. Intangible assets related to the associates and investment securities are deducted from Total Capital.

The amount in associates is due to a 25% ownership of Banco Best S.A. The 75% of the shares is owned by Novo Banco. Novo Banco is subject to Banco de Portugal's supervision and a sale process of Novo Banco is ongoing. It is not a part of the Bank's strategy to increase this investment. The balance sheet value is risk weighted with 250% in the risk exposure amounts for credit risk.

The amount of investment securities is due to small amounts of different unlisted equities. It is not a part of the Bank's strategy to increase investment in this type of assets. The balance sheet value is risk weighted with 100%-150% in the risk exposure amounts for credit risk.

Table 6: Exposures to equities outside the trading book (31/12/2014).

DKK millions	Balance sheet value	Fair value	Realised gains/losses	Unrealised gains/losses
Unlisted equities:				
Investment securities	39,200	39,200	-	-
Associates	189,800	189,800	(9,900)	53,913
Total	**229,000**	**229,000**	**(9,900)**	**53,913**

5.3 Exposures in Interest rate risk not included in the trading book

On the Bank level the interest rate risk outside the trading book arises from subordinated debt issued in EUR. The interest rate is floating which is why the interest rate risk is very small.

On the Group level the interest rate risk outside the trading book arises from the Bank, Saxo Privatbank (very small positions) and a hedge position in an interest rate swap in the subsidiary that holds the headquarters.

The Group uses cash flow hedge accounting on the largest positions (the interest rate swap). Changes in the market value (also from changes in interest rate risk) have then no impact on the calculated capital.

The total interest rate position outside the trading book is a net short position in both the Bank and the Group.

Table 7: Exposures in interest rate not included in the trading book (31/12/2014).

DKK 1,000		Saxo Bank A/S	Saxo Bank Group
Exposures not included in the trading book		**335,133**	**1,572,049**
	EUR	335,133	335,133
	DKK	-	1,236,916
Interest risk		**838**	**29,896**
	EUR	838	838
	DKK	-	29,058

The interest rate risk outside the trading book is calculated by a shocking the interest rates of 1% up and 1% down and taking the larger amount of the two. The risk exposure is monitored as part of the Bank's total interest rate risk included in the limits approved by the Board.

The interest rate risk outside the trading book is reported quarterly to Danish FSA.

6 Credit Risk

Credit risk is defined as the risk of counterparties of the Group failing to fulfil all or part of their payment obligations to the Group.

The Group operates in accordance with the Board instructions and the credit policy approved by the Board of Directors. The Board instructions set rules on accepted counterparties and thereby diversification of the Group's engagements. The instructions also set limits on counterparty credit exposure, considering creditworthiness, geography and other measures aiming at minimising the credit risk undertaken. Furthermore, the credit policy addresses accepted forms of collateral as well as leverage factors on individual instrument classes for margin trading. The policy is revised as needed and at least once a year.

The Group has segregated duties in order to maintain impartiality during limit setting, the approval process and the following control hereof. Limit setting is done based on client classification. An internal credit evaluation is performed and daily monitoring is performed on issued lines. A periodic line utilisation review is performed to monitor and follow up on issued lines. All lines are re-evaluated at least once a year.

Credit risk due to counterpart's loss on margin trading risk is monitored on a real-time basis, automatically and manually, with the execution of risk mitigate intervention in due time to avoid any credit loss situation occurring.

6.1 Credit Risk Exposure

The Bank's and the Group's credit risk exposure, consists of both financial position items and off-balance items that involve credit risk. Exposure risk derives from lending activities, derivative financial instruments (counterparty risk) and exposure from investing activities. The Group is primary exposed to the following sources of credit and counterparty risk as described below.

6.1.1 Margin sufficiency

Credit risk arises as a result of losses sustained by the counterparty on margin trading. This credit risk increases if markets movements are exceptional, significant and incur within a short timeframe.

The risk is monitored on a real-time basis, both automatically and manually, with the execution of risk mitigating intervention to avoid credit loss situations. There are monitoring controls in place to mitigate concentration risk which could increase credit risk.

6.1.2 Credit lines

Credit risk arises as a result of credit lines offered to certain counterparties subject to credit assessment. The credit assessment is carried out in the credit risk management function.

6.1.3 Counterparty credit risk

Counterparty risk related to exposures in derivatives related to the risk that the counterparty to derivative transitions could default before the final settlement of the transaction cash flows. Large part of this risk is reduced by credit risk mitigation (netting agreements, collateral etc.).

6.1.4 Retail bank activities and other lending activities

Retail banking activities constitute traditional banking services such as loans, overdraft facilities, business credits, construction and housing credits, guarantees etc. The granting of a credit is based on the Group's insight into the client's financial position. The Group strives to ensure that each facility matches the credit quality and financial position of the client.

Lending activities comprise loan and advances at amortised cost and related off-balance items that involve credit risk. Loans and advances at amortised cost include receivables from investment brokers, trading clients and lending clients.

Credit exposure and credit concentration risk based on sector and industry relating to lending activities is managed and monitored on an ongoing basis in accordance with the credit policy.

The Group's credit granting is based on insight into the client's financial position as well as continuous monitoring of the development in the client's financial situation in order to assess whether the conditions for the credit granting have changed. This assessment included Collateral held against lending activities.

6.1.5 Interest bearing assets

Credit risk arises as a result of the Group's placements of funds with credit institutions or in bills and bonds (government bonds and Danish Mortgage Backed Bonds). The above mentioned credit related risks are managed on an ongoing basis by risk policies approved by the Board of Directors and by systems and procedures approved by the Board of Management.

6.1.6 Settlement risk

Settlement risk is the risk that the Group delivers one leg of a transaction but the counterparty fails to meet its obligation. The Group has entered into settlement agreements to decrease settlement risk. This includes give-up agreements to the Group's prime brokers (PBs) and continuous linked settlements (CLS). Even so, the Group occasionally endures settlement risk when trades are not matched in CLS but have to be gross settled against a given counterpart.

6.2 Credit Policy

The Group operates in accordance with the Board instructions and the credit policy approved by the Board of Directors. The Board instructions set rules on accepted counterparties and thereby diversification of the Bank's and the Group's engagements. The instructions also set limits on counterparty credit exposure, considering creditworthiness, geography and other measures aiming at minimising the credit risk undertaken. Furthermore, the credit policy addresses accepted forms of collateral as well as leverage factors on individual instrument classes for margin trading. The policy is revised as needed and at least once a year.

6.3 Objectives and risk appetite

In addition to limiting losses as much as possible, the Bank's and the Group's objectives are to have clear guidelines for lending activities relative to counterparties, trading activities as well as collateral. The Group's risk appetite is assessed as part of the ICAAP process.

6.4 Procedures and Reporting

There are business procedures in place that account for the granting of credit, real estate lending, the ongoing monitoring of the Bank's credit exposure and the risk classification of the Bank's clients.

The Bank's granted as well actual credit exposure arisen from retail and wholesale banking activities, investment lending, trading and credit lines and counterparty engagements are reported to the Board of Directors at each Board meeting. Furthermore, the Board is informed about dishonored engagements, provisions for losses and realized losses on clients.

6.5 Internal Assessment

To assess the credit risk the Group and Bank are exposed to, the different counterparty types have been examined, and the outstanding counterparty risk has been determined in each case or each segment.

For retail and institutional clients, credit exposure at default (EAD) is estimated based on derived client loss distributions (across actual daily individual client portfolios). EAD is calculated as the average of losses exceeding the collateral placed for margin. For banks and brokers the exposure is the outstanding cash and unrealized profit amount on open positions. For credit lines it is the issued line.

For retail and institutional clients, exposure at default is used as a conservative capital measure, for all others the risk has been assessed using impact and likelihood, based on empirical data, expert judgement and credit ratings wherever applicable.

A Monte Carlo simulation is utilized, running a statistically significant number of simulations with a 30% event correlation on bank and broker counterparties, and full event correlation on trading clients, to determine the loss distribution of credit risk events. Correlation is applied to simulate a stressed credit environment. The Group and Bank use expected shortfall, less expected loss (average of events greater than VaR) with a 99.9% confidence level on a one year time horizon. This means that all events in the tail of the distribution are considered when determining the adequate capital level. Credit risk outside the traded portfolio, domicile building, tangible assets and off balance sheet items, have been added using the standard method under the CRR.

Subsidiaries' credit risk has been included based on the underlying business activity. Subsidiaries within online trading and investment and other investment services within capital markets, are included using the same approach, in essence running simulations on the group's combined portfolio. Domicile buildings, tangible assets and off balance sheet items, are included using the standard method under the CRR. Saxo Privatbank offers classic bank services that have been included using their respective individual capital adequacy numbers, using simple addition, offering no diversification effects.

In addition, the Board sets additional adjustments to cover exposures not reflected in the credit adjustment on the balance sheet and risks on large or otherwise non-standardised customers, as well as other risks not covered by the above calculations.

6.6 Risk Exposure Amount according to CRR

The Group applies the following methods according to CRR to calculate the Risk Exposure Amounts for credit risk:

- **Credit Risk: The Standard Method**
  - Counterparty Risk: Marked to market Method
  - Credit Risk Mitigation: Financial Collateral Comparative Method

The Bank expects the forthcoming capital regulation to include changes to the above models applied by the Group. More information is disclosed in the section 10.

All exposures related to claims or contingent claims are included in the calculation of the risk exposure amounts for credit risk excluding the following exposures:

- exposures deducted when calculating the Total Capital
- exposures included in the calculation of market risk related to share price risk and interest rate risk (positions in the trading book)

Counterparty risk related to exposures in derivatives is included in the calculation of risk exposure amounts for credit risk.

The Bank expects the forthcoming capital regulation to include changes in the above model used by the Bank. More information is disclosed in the section 10.

6.6.1 Use of ECAI (External Credit Assessment Institutions)

The Group does not apply credit assessments of an External Credit Assessment Institutions (ECAI) but an Export Credit Agency (ECA). The Export Credit Agency (ECA) is OECD's country risk classification.

6.6.2 Credit Risk Mitigation

The Group accounts for collateral to reduce the credit risk. The Group uses cash deposits, listed equities and bonds posted by its counterparties as collateral and utilizes a method called Financial Collateral Comprehensive Method according to article 198 in CRR where the counterparty risk exposure, is reduced by the value of the financial collateral after adjustments regarding maturity mismatches and currency mismatches.

6.7 Counterparty Risk Exposures

The Bank utilizes the Mark-to-market Method according to article 274 in CRR to calculate the risk exposure amounts for counterparty risk for derivative financial instruments. The Bank recognises the effect of netting agreements according to article 298 in CRR. Each exposure is assigned a risk weight according to the exposure classes defined in CRR.

In addition, the Bank uses the standard method in article 384 in CRR to calculate credit valuation adjustment. The amount end of December 2014 for Bank and Group is DKK 10,099 in minimum requirement and DKK 126,240 in risk exposure amount.

The below table presents the Counterparty Risk exposures before risk mitigation and netting, the Counterparty Risk exposures before risk mitigation but after netting, the Counterparty Risk exposures after netting and after risk mitigation and the Counterparty Risk exposures after mitigation and netting after and after exposure class risk weights have been applied as of 31 December 2014 for the Bank and the Group. The figures are excluding the credit valuation adjustment.

Table 8: Counterparty risk (31/12/2014).

DKK 1,000	Saxo Bank A/S				Saxo Bank Group			
Exposure class	Risk Exposures before Netting	Risk Exposures after netting, before CRM	Risk Exposures after netting and CRM	Risk Exposure Amounts	Risk Exposures before Netting	Risk Exposures after netting, before CRM	Risk Exposures after netting and after CRM	Risk Exposure Amounts
Corporates	4,419,631	2,425,737	360,675	360,675	3,709,282	2,979,744	362,632	362,632
Institutions	8,888,153	1,012,289	682,680	136,536	8,218,497	1,034,059	682,680	136,536
Retail	1,572,623	1,203,123	32,387	24,291	3,020,437	2,202,415	52,403	39,303
Total	**14,880,407**	**4,641,150**	**1,075,742**	**521,502**	**14,948,215**	**6,216,218**	**1,097,715**	**538,471**

Credit risk mitigation and netting have a very large impact on the Group's capital requirements.

6.8 Credit Risk Exposure Classes

Credit risk arises from on balance, off balance items and derivatives. On balance, off balance items and derivatives are assigned to different exposure classes with different risk weights. The figures exclude the credit valuation adjustment.

Table 9: Credit risk exposures split on exposure classes for Saxo A/S (31/12/2014).

DKK 1,000	Corporates	Institutions	Retail	Equity	Secured by mortgages	Exposures in default	Others	Total
On balance	246,877	253,131	-	2,625,721	-	-	69,698	3,195,426
Off balance	468,564	-	-	-	-	-	-	468,564
Derivatives	360,675	136,536	24,291	-	-	-	-	521,502
Total	**1,076,116**	**389,667**	**24,291**	**2,625,721**	**-**	**-**	**69,698**	**4,185,492**

Table 10: Credit risk exposures split on exposure classes for Saxo Bank Group (31/12/2014).

DKK 1,000	Corporates	Institutions	Retail	Equity	Secured by mortgages	Exposures in default	Others	Total
On balance	624,902	529,586	831,901	438,411	47,614	66,409	873,443	3,412,266
Off balance	356,883	-	144,728	-	18,071	4,708	-	524,390
Derivatives	362,632	136,536	39,303	-	-	-	-	538,471
Total	**1,344,417**	**666,122**	**1,015,932**	**438,411**	**65,686**	**71,117**	**873,443**	**4,475,127**

6.9 Geographical Breakdown of Credit Exposure

The Geographical breakdown is the breakdown of the credit risk exposure for each country (or by region) and further split by exposure classes. Most of the credit risk exposure is in Europe and primarily in Denmark.

Table 11: Saxo Bank A/S breakdown on geographical locations (31/12/2014).

DKK 1,000	Institution	Corporates	Retail	Equity	Other	Total
Denmark	27,685	661,258	3,262	2,306,018	69,698	3,067,920
Portugal	850	19	11	319,703	-	320,583
United Kingdom	139,325	73,014	693	-	-	213,032
Germany	67,265	3,995	1,672	-	-	72,933
Switzerland	7,725	924	389	-	-	9,039
Rest of Europe	40,563	72,315	13,273	-	-	126,152
South Africa	1,548	241,573	99	-	-	243,220
North America	104,597	2,455	87	-	-	107,139
APAC	107	10,775	3,368	-	-	14,250
Rest of World	-	9,787	1,437	-	-	11,223
Total	**389,667**	**1,076,116**	**24,291**	**2,625,721**	**69,698**	**4,185,492**

Table 12: Saxo Bank Group breakdown on geographical locations (31/12/2014).

DKK 1,000	Institution	Corporates	Retail	Secured by mortgages on immovable property	Exposure in default	Equity	Other	Total
Denmark	83,028	774,477	955,888	64,602	69,000	118,258	859,348	2,924,601
Portugal	850	19	13	-	-	319,703	-	320,584
United Kingdom	303,544	93,621	4,930	-	-	-	2,036	404,131
Germany	53,006	3,995	2,413	-	1,481	-	-	60,896
Switzerland	53,876	49,136	5,112	-	604	-	2,429	111,157
Rest of Europe	84,131	81,871	23,662	82	8	450	3,647	193,852
South Africa	1,548	241,930	767	-	-	-	142	244,386
North America	75,605	36,080	4,198	669	15	-	95	116,662
APAC	8,952	49,796	15,765	333	4	-	3,922	78,772
Rest of World	1,581	13,492	3,184	-	4	-	1,825	20,086
Total	**666,122**	**1,344,417**	**1,015,932**	**65,686**	**71,117**	**438,411**	**873,443**	**4,475,127**

The counterparty type is reflected by the exposure classes.

6.10 Other information about credit risk exposures

Credit exposures distributions (based on the balance sheet) related to sector and industry type, the definition for accounting purpose of past due and impaired, and a description of the approaches and methods adopted for determination of specific and general credit risk adjustments can be found in the annual report 2014.

7 Operational Risk

Operational risk covers the risk of direct or indirect loss resulting from inadequate or failed internal processes, human errors, and errors in IT-systems or as a consequence of external events. This definition includes legal and compliance risk, but excludes business and reputational risk.

Operational risk is inherent in all business activities, and cannot be completely mitigated. Further, operational risk has no material upside in terms of return/income generation, which means that the Group cannot generally expect a higher return by accepting more operational risk. Therefore, the overall objective of operational risk management is to identify material risks and to mitigate them where feasible and to an extent economically reasonable. The Group's operational risk appetite is defined as the level of residual risk tolerated by the Group in the pursuit of its business objectives. In general, the Bank has a low tolerance towards operational risks and is aiming to reduce the losses resulting from these events to a point where the Group is not materially impacted by them. However, the Group has zero tolerance towards operational risk related to fraud and compliance breaches and does its utmost to mitigate these types of risk.

Furthermore, the attitude and approach of the Group's employees are crucial for successful operational risk management. The Group aims to build a strong operational risk culture using awareness tools. The awareness approach ensures that all employees have relevant and sufficient knowledge of operational risks related to their tasks and any precautionary measures necessary to prevent such risks from materialising. The Group promotes a culture which strives to continuously improve working processes with an awareness of the associated operational risks.

7.1 Operational Risk Management Framework

The Group has established an operational risk management framework and takes the necessary steps to understand the business' exposure to risk arising from failures in internal controls, operational processes or the systems that support them.

The aim of the operational risk management framework is to enable the Group to collect, assess, manage, and report operational risk efficiently and effectively.

Objective and Risk Appetite

The operational risk appetite for the Bank and the Group is defined as the level of residual risk tolerated in the pursuit of its business objectives. In general, the Bank and the Group have low tolerance towards operational risks and are aiming to reduce the losses resulting from these events to a point where the Bank and the Group are not materially impacted by them. However, the Bank and the Group have zero tolerance towards operational risk related to fraud and compliance breaches and therefore the Bank and the Group do their utmost to mitigate these types of risk.

Furthermore, the attitude and approach of the Bank's and Group's employees are crucial for successful operational risk management. The Bank and the Group aim to build a strong operational risk culture using awareness tools. The awareness approach ensures that all employees have relevant and sufficient knowledge of operational risks related to their tasks and any precautionary measures necessary to prevent such risks from arising. The Bank and the Group promote a culture which strives to continuously improve working processes with an awareness of the associated operational risks.

7.1.1 Policy

The Group's Operational Risk policy is approved by the Board of Directors and is reviewed annually. Furthermore, the Board of Directors has established guidelines for handling the Group's operational risk in the instructions to the Board of Management.

7.1.2 Collection and registration of data

The mapping of the Group's operational risk landscape is based on historical data and internal risk self-assessments. The following techniques for collecting operational risk events are used and documented, and they form the basis for a consistent examination of the Group's exposures related to operational risk:

- All losses above a certain limit arising from operational risk events are collected and registered in an **error register**. Potential losses and near miss-events are also captured in the error register.
- **Operational risk self-assessments** are conducted across the Group on a regular basis. This activity ensures that all material operational risks inherent in the Group's products, activities, processes and systems are captured in a systematic and timely manner. Operational risks inherent in new products, activities, processes and systems are assessed before the initiatives are introduced or undertaken.

The Group further uses additional sources of data, such as employee surveys and external event data, to review, challenge and ensure the completeness of the operational risk landscape.

7.1.3 Assessment

The assessment includes a systematic evaluation of risk events in terms of likelihood and impact based on expected loss frequency and expected loss on average. Each risk event is evaluated in light of implemented mitigating measures/controls. Control failures, where applicable, are captured and evaluated. In addition, the Group determines the extreme loss (the highest loss that the actual event could have resulted in) for each event, given worst-case operating conditions.

To determine the Group's Pillar II capital requirements due to operational risk, the content of the risk register with insurance effect is used as input to the calculations. The calculation is based on Monte Carlo simulation which is used to generate random loss scenarios based on assessed probabilities and impact. The result is a loss distribution, which forms the basis for the determination of expected loss, Value-at-Risk and expected shortfall with a one year time horizon. Assumptions are made on confidence levels as well as on the correlation between the various events. Risk events are assessed and evaluated in cooperation with internal parties through workshops.

7.1.4 Management and Mitigation

The following three methods are mainly used to manage and mitigate risks:

- **Insurance coverage**: Insurance coverage is used to ensure appropriate protection against extreme events. However, the Group may incur liabilities that are not covered by insurance as not all claims are insurable. Thus, there can be no assurance that the Group will not experience major incidents of a nature that are non-insurable.
- **Contingency plan**: Contingency plans are developed in accordance with the overall risk strategy. These are regularly reviewed, updated and tested.
- **Controls**: Controls are in place to prevent or detect material risk events. Implementation and improvements of controls are based on a cost benefit analysis.

7.1.5 Reporting

Operational risk errors with material impact or a direct and indirect loss above a certain limit are reported to the Board of Directors. The report describes events that led or could lead to substantial losses and actions taken to ensure that the likelihood of similar errors is reduced.

At least annually, a written report describing the size and development of the Group's operational risks is provided, enabling the Board of Directors to make changes to the operational risk policy. The report provides an assessment of the current operational risk landscape, describes the events that led or could have led to substantial losses for the Group, proposed changes to the Group's business model, system and products.

7.1.6 Risk Exposure Amounts according to CRR

The Bank uses the Basic Indicator Approach, cf. CRR art.315, to calculate the Risk Exposure Amounts for operational risks. Under the Basic Indicator Approach, the Risk Exposure Amounts for operational risk is equal to (15/8)% of the average over three years of the sum of following accounting related items:

- Net interest, fees and commissions
- Price and exchange rate adjustments
- Other income

The three-year average is calculated on the basis of the figures from the last three years annual reports. The calculation of the basic indicator throughout 2014 consists of accounts from the financial statement 2011-2013.

The Bank expects the forthcoming capital regulation to include changes in the above model used by the Bank. More information is disclosed in the section 10.

Table 13: Risk Exposure Amounts (31/12/2014)

DKK 1,000	Saxo Bank Group Q4 2014	Saxo Bank A/S Q4 2014
Risk Exposure Amounts	6,027,378.1	4,218,846.9
Capital Requirements	482,190.2	337,507.8

8 Leverage

CRD IV and CRR require the Group to report and monitor their leverage ratios. The leverage ratio is defined as Tier 1 capital divided by a non-risk-based measure of an institution's on- and off-balance sheet items (the "exposure measure"), end of each quarter. From 2014, leverage ratio has been assessed under Pillar II (ICAAP requirement).

The Group is required to disclose the leverage ratio from 1 January 2015. The Bank expects the European Commission to Council and Parliament to issue a report by the end of 2016 which will include a legislative proposal to introduce the leverage ratio as a binding measure as of 2018. The minimum level is currently expected to be 3% as introduced by the Basel Committee.

Due to the Swiss Franc move on January 15, 2015 the Group's leverage ratio decreased. This is primarily due to a decrease in the capital measure. The ratio is still well above the 3% minimum requirement.

The Bank expects the current minimum capital requirement to be more restrictive than the forthcoming leverage ratio minimum requirements. The Bank's monitoring of the leverage is done as part of the ICAAP.

The Bank expects the forthcoming capital regulation to include changes in the above model used by the Bank. More information is disclosed in the section 10.

8.1 Leverage ratio end 2014 based on COREP reporting

Table 14: Leverage Ratio (31/12/2014)

DKK 1,000	Saxo A/S	Saxo Group
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	20,198,361	25,902,917
Asset amounts deducted in determining Tier 1 capital	(1,759,917)	(1,698,636)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**18,438,444**	**24,204,281**
Replacement cost associated with derivatives transactions	3,532,664	3,992,569
Add-on amounts for PFE associated with derivatives transactions	1,102,476	2,217,640
Total derivative exposures	**4,635,141**	**6,210,209**
Off-balance sheet exposures at gross notional amount	886,696	1,844,279
Adjustments for conversion to credit equivalent amounts	(418,131)	(1,123,096)
Total off-balance sheet exposures	**468,564**	**721,183**
Total Exposure for Leverage ratio calculation	**23,542,149**	**31,135,673**
Tier 1 capital - transitional definition	2,419,276	2,622,581
Tier 1 capital - fully phased-in definition	2,419,276	2,509,127
Leverage Ratio - using a transitional definition of Tier 1	**10.3%**	**8.4%**
Leverage Ratio - using a fully phased-in definition of Tier 1	**10.3%**	**8.1%**
Breakdown of the total exposure for leverage ratio:		
Total assets as per published financial statements	30,200,853	36,008,268
Adjustments for derivative financial instruments	(4,114,596)	(2,647,714)
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	(418,131)	(1,123,096)
Other adjustments	(2,125,977)	(1,101,785)
Leverage ratio exposure	**23,542,149**	**31,135,673**

The Bank has chosen to use data as of 31 December 2014 (as alternative for an arithmetic mean of the monthly leverage ratios over a quarter) for the calculation and disclosure of Leverage Ratio end December 2014. This choice is made on the basis of a public approval issued the Danish FSA.

9 Liquidity and Asset Encumbrance

The Bank and the Group are required to fulfil Danish liquidity requirements according to the Danish Business Act and to monitor and report on future liquidity requirements according to Capital Requirements Regulation (CRR). The DFSA has in addition issued a number of liquidity risk indicators and threshold values that banks in Denmark need to fulfil as a part of the Supervisory Diamond.

The Bank is required to fulfil current requirements and report both current and future liquidity requirements on the Bank level and Group level.

9.1 Current Danish minimum liquidity requirements

The Bank and Group are subject to regulatory liquidity requirements according to the Danish Business Act.

The liquidity shall amount to no less than:

- 15% of the debt exposures that, irrespective of possible payment conditions, are the liability of the Group to pay on demand or at notice of no more than one month, and
- 10% of the total debt and guarantee exposures of the Group, less subordinated debt that may be included in calculations of the Total capital.

The following may be included in calculations of liquidity:

- cash in hand,
- fully secured and liquid demand deposits with credit institutions and insurance companies, and
- equity investments of secure and easily realisable securities and credit funds not used as collateral.

This requirement is reported to DFSA monthly on the Bank level and quarterly on the Group level. The Group and Bank met the minimum regulatory liquidity requirements throughout the year 2014.

9.1.1 Additional liquidity requirements according to the Supervisory Diamond

In addition to the before stated minimum liquidity requirements, the Supervisory Diamond includes a 50% additional requirement to the above requirement. The regulatory liquidity requirement for the Bank (Group) including the 50% additional requirement was DKK 4.04 (5.25) billion. The Bank’s (Group’s) liquidity as of 31 December 2014 to cover the same requirement was DKK 12.16 (17.48) billion.

Furthermore, the DFSA expects all Danish banks to hold a Funding-ratio below 1. The Funding-ratio is defined as loans divided by the sum of deposits, subordinated debt and equity. The Funding-ratio for the Bank (Group) as of 31 December 2014 was 0.018 (0.075).

Due to the Swiss Franc move on January 15, the surplus liquidity decreased and thereby the Funding ratio increased. Both the Bank and the Group are well above both liquidity requirements end of January 2015.

9.2 ILAAP requirement and additional liquidity regulation

From end 2014 the Bank and the Group are required to hold liquidity of at least equal to the current ILAAP level as determined by the Board of Directors. This ILAAP level cannot be less than the current minimum regulatory requirements. The ILAAP is performed based on guidelines issued by DFSA.

The ILAAP is based on an internal process in which management assesses the overall liquidity and funding risks. It is the policy of the Group to update, maintain and execute stress tests on the liquidity on an ongoing basis. In addition the Group's objectives and liqudity risk appetite are monitored as part of the ILAAP proces.

The Group operates with a liquidity pool which is available at all times in the form of unencumbered, highly liquid securities and cash instruments to address the estimated potential cash needs during a potential liquidity crisis. The process during a liquidity crisis is managed and declared by the Head of Group Treasury. The Group acknowledges the importance of having assets that have extremely high credit and liquid qualities, making them very flexible, which is essential during the first period of a liquidity crisis. In addition, it is the policy of the Group to operate with a viable liquidity contingency plan which outlines the chain of command in the event of liquidity crisis. Furthermore, the Board of Directors have established guidelines for handling the Group's liquidity risk in the instructions to the Board of Management.

The primary source of funding for the Bank and the Group are client deposits. A part of this is used to service the Group's margin trading as well as the Group's lending book.

The Group continuously monitors its liquidity in order to ensure compliance with the liquidity requirements.

9.2.1 Link to ICAAP requirements

The capital requirements in the ICAAP due to liquidity, for the Bank and Group, are estimated based on increased cost of raising additional liquidity in a stress scenario. Other liquidity risk is covered by the Bank's and Group's Internal Liquidity Adequacy Assessment Process (ILAAP).

9.2.2 Additional liquidity regulation

The Bank is required to monitor and report a short-term Liquidity Coverage Ratio (LCR), and a long-term Net Stable Funding Ratio (NSFR) on both Bank level and Group level. From October 2015 the LCR is phased in as an additional minimum liquidity requirement starting at 60%. The LCR ratio is defined as High Quality Liquid Assets (HQLA) divided by net cash outflows calculated in stressed conditions over a 30-day period. Additional information regarding forthcomings regulations is described in the section 10.

The Bank reports monthly LCR and quarterly NSFR to DFSA according to Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) developed by The European Banking Authority. As of 31 December 2014, the Bank's (Group's) reported LCR ratio was 77% (85%).

The LCR decreases in January due to the Swiss Franc move on January 15, due to an increased amount of encumbered assets (lower HQLA) and higher liquidity outflows due to an updated Adverse Market Scenario (calculation of additional collateral outflows on derivatives contracts). The Bank has initiated actions to increase LCR as part of the Banks liquidity plan to make sure that the Bank can fulfil the forthcoming liquidity regulation. Some of these actions are data and model improvements.

In practice the Bank is highly liquid, however this is not reflected by the current LCR regulation which is more suitable to present liquidity risk in retail banks. The Bank has the ability to provide more liquidity very fast due the fact that the Bank holds a large portfolio of highly liquid government bonds (a very large amount of the balance sheet items compared to other banks). E.g. on 15 January 2015 the Bank was able to fulfil the largest margin requirement in the Bank's history very fast and the Bank expects that it would be able to handle another stress event with a similar impact, based on the Bank's situation end of January 2015.

The Bank is required to monitor report and disclose Asset Encumbrance. This disclosure (in the following section and Appendix B) shows the Bank's ability to provide liquidity based on the current level of liquid assets on the balance sheet.

9.3 Asset Encumbrance

An asset is encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. The level of encumbered assets shows the Bank's ability to provide liquidity based on the current balance sheet.

The Bank's asset encumbrance comes from collateral posted with financial business partners in connection with derivatives trading and consists mostly of Government Bonds. The table below shows the level of asset encumbrance based on data end year 2014 for the Bank.

Table 15: Encumbered assets for Saxo Bank A/S (31/12/2014)

DKK 1,000	Carrying amount of encumbered assets	Carrying amount of unencumbered assets	Total	Encumbered assets in percent of total	Unencumbered assets in percent of total
Equity instruments	-	6,314	**6,314**	0.0%	100.0%
Debt securities	4,019,122	11,092,645	**15,111,767**	26.6%	73.4%
Cash and deposits in Central Banks	-	251,100	**251,100**	0.0%	100.0%
Other assets	165,589	14,666,083	**14,831,672**	1.1%	98.9%
Total	**4,184,711**	**26,016,142**	**30,200,853**	13.9%	86.1%

End of December 2014 13.9% of the total balance sheet amount was encumbered. The Bank can deposit all assets which can be pledged on normal market terms in the Danish Central Bank. For the Bank these include; Debt securities (government bonds and Danish Mortgage Bonds) and cash and deposits in Central Banks. This amounts to 37.6% of the total balance sheet.

The amount of encumbered assets is used to calculate HQLA on Bank level (only cash and bonds pledged as collateral on Bank level).

Encumbered assets are lower on Group level compared to on Bank level. Appendix B presents Asset Encumbrance on Group level. It should be noted that the meaning of the term *encumbered asset* is not identical to the same term when calculating HQLA used in LCR calculations on group level. . The Bank has used the principles listed in the *"Report on appropriate uniform definitions of extremely high quality liquid assets (extremely HQLA) and high quality liquid assets (HQLA) and on operational requirements for liquid assets under Article 509(3) and (5) CRR issued by EBA in December 2013",* where "unencumbered" means free of legal, regulatory, contractual or other restrictions on the ability of the Bank to liquidate, sell, transfer, or assign the asset" in the LCR calculations on Group level. This means that some of the excess HQLA in subsidiaries are not used on Group Level due to local regulatory restrictions, e.g. in the Financial Danish Business Act there are regulatory limits on Danish financial subsidiaries exposures against other companies in the Group.

Annex B includes additional Asset Encumbrance disclosures requirements, according to Guidelines on disclosure of encumbered and unencumbered assets issued by EBA in 2014 for the Bank and the Group. The Bank has chosen to use data as of 31 December 2014 (as alternative for median values of at least quarterly data on a rolling basis over the previous twelve months) for the disclosure of Asset Encumbrance end December 2014. This choice is made on the basis of prior approval from the Danish FSA.

Encumbered assets increased due to the Swiss Franc move on January 15, primarily due to higher amount of pledged bonds. The Bank expects that it would be able to handle another stress event with a similar impact, based on the Bank's situation end of January 2015.

9.4 Business Risk

Business risk includes types of risk related to the macro-environment, the competitive environment within the banking industry and the Bank related circumstances. Examples could be changes in the economic environment, the legislative environment, the political environment or failure of a cost intensive business project.

Objective

The Bank's business risk objective is to retain focus on external parameters and competitive conditions, which may potentially influence the Bank's and the Group's future operations.

Policy

As business risk is defined as impacts to the future ability to generate earnings, these are tested against the budgeted income.

The key potential business risks are identified as a part of the budgeting process. The outcome of this process forms the basis for sensitivity analyses of the net income, which is included in the annual budget report. Business risk is covered by the budgeted income and budgeted change in CET1 according to the capital plan a year forward. However, if the expected income or capital change is not sufficient, capital must explicitly be set aside. Throughout the year the performance is evaluated to determine whether capital should be set aside.

Furthermore capital is set aside in recognition of the granted, unutilized, market risk exposure limits, not included under the current positions included in the Pillar I requirement.

9.5 Other Risks

Other risk covers strategic risk, and risk not included in the previous categories. Methodologies for assessing capital requirement vary depending on the underlying risk event type. In addition, the Board sets additional adjustments to cover other risks not covered by the above calculations.

10 Regulatory Landscape

Capital Requirements Directive IV and the Capital Requirements Regulation and other new regulations were introduced during 2014. The regulatory landscape will continue to undergo changes over the forthcoming years. Key changes have been made to the regulatory environment applying to financial institutions within the EU and on a global level. The Bank is continuously preparing for the impact of these requirements including the increase in complexity and increased costs for implementation and reporting.

10.1 Capital requirements, CRR and CRD IV

The Fourth edition of the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) were approved by the EU Council of Ministers end of June 2013 and have been applicable from beginning of 2014. The CRR introduces the first single set of prudential rules for banks across the EU. It applies directly to all banks in the EU member states. It should help to ensure that the Basel III international standards for bank capital adequacy are fully respected in all EU member states. EU Banks are supervised by EU member states' competent authorities, in collaboration with the EBA, whose supervisory powers are expanded.

CRD IV and CRR require the Group to monitor and report capital requirements and buffers. The Group will over time be required to set aside more and better capital as a cushion against difficult times.

Furthermore, the Group will also be required to hold a capital conservation buffer to absorb losses and protect the capital, and a countercyclical capital buffer to ensure that in times of economic growth, the Group accumulates sufficient capital to enable it to continue supplying a stable supply of credit in stressed periods. In Denmark the capital conservation buffer will be phased in from 2016 and the countercyclical capital buffer from 2015. In addition, member states may require additional buffers.

10.1.1 Implementation of RTS and ITS

According to the above regulation EBA develops Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS). They are submitted to the European Commission for endorsement.

Approximately 50 delegated and implementing acts are scheduled for adoption during the course of 2014. These regulations apply directly to all banks in EU member states and have significantly increased the level of the Group's calculation and reporting burden. EBA will continue to issue RTS´s and ITS´s in the coming years according to the implementation plan. This may have an impact on the Bank's capital and liquidity levels.

10.1.2 Prudent Valuation

The EBA has not yet issued a final version of the Regulatory Technical Standard (RTS) on Prudent Valuation. EBA has communicated that institutions shall apply the prudent valuation requirements according to article 105 in CRR, however they are not required to comply with the detailed requirements specified in the draft RTS.

Due to uncertainties with the scope of the models presented in the RTS, the Group has implemented a preliminary core approach model that has been applied for the past year. As the largest part of the fair value assets on the trading book are highly liquid, these account for a very small part of the deduction, but illiquid assets such as unlisted equities account for the largest part.

There are uncertainties related to the scope of the two models presented in the RTS and as the RTS has not been finalized by EBA there are few interpretations thereof. Depending on the final version and coming interpretations the Group will evaluate which approach will be more feasible to implement. The deduction is thereby subject to change.

10.1.3 Leverage

During 2014 the European Commission has issued a delegated act amending the methodology for calculating banks' leverage ratio that will enhance the uniform understanding of the components of the leverage ratio. It aims to align the leverage ratio as currently included in the CRR with the internationally agreed leverage ratio so that there is an international level playing field and true global comparability.

This will change the leverage ratio calculation from January 2015 but is not expected to have a major impact.

10.1.4 Forthcoming capital regulation from the Basel Committee

10.1.4.1 Fundamental review of the trading book

The Basel Committee has published several consulting documents in relation to "Fundamental review of the trading book". The review includes a different scope of the trading book and changes in the standardised models for calculation of the minimum requirements for market risk with the purpose to strengthen the relationship between standardised and internal model based approaches. The Basel Committee expects to issue a final version later in 2015. The expected implementation in EU regulation may have an impact on the Bank’s future capital requirements.

10.1.4.2 Revision of the operational risk approach

In 2014 the Basel Committee published a consultative document on the revision of the Basic Indicator Approach for operational risk currently used by the Bank. The revision suggests a minimum capital requirement depended on the size of the Bank (measured by income indicators). The Basel Committee intends to finalize their work in 2015. The expected implementation in EU regulation may have an impact on the Bank’s future capital requirements depended on the final version of the forthcoming operational risk approach including potential different risk weights to different sizes of banks.

10.1.4.3 Revision of the Standardised Approach for credit risk

Late in 2014 the Basel Committee published a consultative document on the revision of the Standardised Approach for credit risk which is currently used by the Bank. The intention with the revision is to reduce reliance on external credit ratings, to enhance granularity and risk sensitivity and update risk weight calibrations. The proposal includes changes to risk-weights on bank exposures and risk mitigation. The Basel Committee intends to finalize their work late in 2015. The expected following implementation in EU regulation may have an impact on the Bank’s future capital requirements depending on the final weight calibrations etc.

10.2 Liquidity requirements and Asset Encumbrance

CRD IV and CRR require the Group to monitor and report a short-term Liquidity Coverage Ratio (LCR), and a long-term Net Stable Funding Ratio (NSFR).

During 2014 the European Commission issued a delegated act on the liquidity coverage requirement that sets out detailed quantitative liquidity rules. These determine how to calculate net cash outflows expected in times of crisis and what liquid assets banks must hold to meet them. Banks will be required to constitute a buffer of liquid assets as a percentage of net cash outflows in stressed conditions over a 30-day period. In Denmark, the LCR will be phased in, i.e. a gradual phasing-in of 60% of the full requirement in October 2015, 70% in 2016, 80% in 2017 and 100% in 2018.

The LCR requirement is more restrictive than the current Danish regulation due to higher liquidity requirements on investment bank activities which are the Group’s core business. Some RTS and ITS related to liquidity are not final including “Additional collateral outflows on derivatives contracts”.

The Bank’s current calculation of the Bank’s Adverse Market Scenario is based on “Final draft Regulatory Technical Standards on additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on the institution’s derivatives transactions, financing transactions and other contracts for liquidity reporting under Article 423(3) of Regulation (EU) No 575/2013 (Capital Requirements Regulation CRR)” issued by the EBA.

The Group is monitoring the development in liquidity regulation and interpretations closely and has taken action based on the estimated impact on the future liquidity regulation.

In a stressed situation a bank may be obliged to make use of its liquid assets with the result that its LCR ratio (temporarily) falls below the minimum requirement. However, it should be noted that in this situation a bank is required to immediately notify the competent authorities and submit a plan for the timely restoration of the LCR ratio to above the minimum requirement.

The aim of NSFR is to ensure that banks have an acceptable amount of stable funding to support their assets and activities over the medium term (i.e. a one-year period). The CRR also allows the Commission to propose legislation for NSFR) but there is no automatic presumption that the Commission will come forward with such a proposal. Currently the Group is required to report, monitor and report NSFR according to CRR. NSFR is planned to be phased to a 100% requirement from 2016-2018, exact timing will be decided by the EU based on reports from EBA.

The Bank will over time be required to build op more regulatory liquidity as defined by the regulations.

10.3 Leverage

The Bank expects the European Commission to Council and Parliament to issue a report by the end of 2016 which will include a legislative proposal to introduce the leverage ratio as a binding measure as of 2018. The minimum level is currently expected to be 3% as introduced by the Basel Committee.

10.4 Derivative Regulation

Among the increasing regulation on Financial Markets Infrastructure are the Derivatives regulation and the European Market Infrastructure Regulation (EMIR). The Group is required to report derivatives transactions, clear some standardized derivatives with an approved central counterparty, and implement certain requirements related to Risk Management and credit risk mitigation (margin requirements etc.) for derivatives not cleared with a central counterparty. The margin requirement is expected to be phased in during the coming years where the implementation date is based on the financial institutions level of derivatives trades. The Group is monitoring the developments in this regulation and possible impact which is expected to be connected with the forthcoming regulation related to capital requirements and liquidity requirements.

10.5 Financial Instruments

The Markets in Financial Instruments Directive (MiFID II) and the Regulation on Markets in Financial Instruments (MiFIR) was adopted by the European Council and European Parliament in 2014. Member States have two years to transpose the new rules which will be applicable starting January 2017. MiFID II includes provisions regarding trading in certain standardised OTC products, enhanced investor protection and transparency regulation, which are all key issues to the Group.

10.6 Resolution of banks

As of 1 January 2015 all Member States 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 introduction of the BRRD is also complemented by the review of the Deposit Guarantee Scheme Directive (DGSD). The new rules will harmonize and improve the tools for dealing with bank crises across the EU. They will also ensure that shareholders and creditors of the banks will pay their share of the costs through a "bail-in" mechanism (similar to the current regulation in Denmark). In addition a national resolution fund will be build up over a period of time. The directive is expected to be implemented in Danish law by 1 June 2015. In addition EBA will issue reports and technical advice to assist the Commission and co-legislators in considering delegated acts under these directives and any need for future changes to the legislative framework.

BRRD broadens the powers of national authorities to intervene and prevent banks from failing, while it requires banks themselves to prepare recovery plans aimed at overcoming situations in which they may fail. If failure cannot be avoided, authorities will be equipped with comprehensive powers and tools to restructure banks, allocating losses to shareholders and creditors, following a clearly defined hierarchy and set of protections for property rights. They will have the powers to implement plans to resolve failed banks in a way that preserves their most critical functions.

10.7 Accounting standards (IFRS)

As is stated in the Annual Report 2014 the Group adopts the new accounting standards and amendments when they become mandatory in EU. None of the accounting standards and amendments is expected to have a material impact on the consolidated financial statements. However, a complete analysis of the impact of implementation of IFRS 9 is to be composed. IFRS 9, which has not yet been adopted by the EU, is effective from 1 January 2018. Depending on the impact analyses this may have an impact on the capital calculation.

10.8 Subsidiaries

In addition, some of the Group's subsidiaries are financial entities and are required to comply with development in local regulatory requirements which are monitored in the local subsidiaries. Lists of subsidiaries are shown in section 2.2.

11 Annex A: Additional own funds disclosures requirements

Annex A includes additional own funds disclosure requirements, according to Commission Implementation Regulation No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to CRR.

11.1 Saxo Bank Group

Table 16: Saxo Bank Group Balance Reconciliation (31/12/2014)

Item	Amount 1,000 DKK	Table in Annual Report	Item in table
OWN FUNDS	**2,822,184**	-	-
TIER 1 CAPITAL	**2,622,581**	-	-
COMMON EQUITY TIER 1 CAPITAL	**2,285,321**	-	-
Capital instruments eligible as CET1 Capital	**706,704**	-	-
Paid up capital instruments	66,618	Statement of Changes in Equity	Share Capital
Share premium	640,086	Statement of Changes in Equity	A part of Retained Earnings
Retained earnings	**2,994,470**	Statement of Changes in Equity	Retained Earnings
Accumulated other comprehensive income	**(14,643)**	Statement of Changes in Equity	Total other comprehensive income
Other reserves	**152,849**	-	Sum of translation, hedging and revaluation reserves
Translation reserve	156,516	Statement of Changes in Equity	Translation reserve
Hedging reserve	56,901	Statement of Changes in Equity	Hedging reserve
Revaluation reserve	(60,568)	Statement of Changes in Equity	Revaluation reserve
Minority interest given recognition in CET1 capital	**31,120**	N/A	N/A (Output of a consolidation model, including transitional effects)
Transitional adjustments due to additional minority interests	**113,455**	N/A	N/A (Output of a consolidation model, including transitional effects)
Adjustments to CET1 due to prudential filters	**53,885**	-	-
Cash flow hedge reserve	60,568	Statement of Changes in Equity	Hedging Reserves

(-) Value adjustments due to the requirements for prudent valuation	(6,682)	N/A	N/A (Output of AVA model)
(-) Goodwill	**(1,002,606)**	-	-
(-) Goodwill accounted for as intangible asset	(947,083)	Statement of Financial Position	A part of Intangible Assets
(-) Goodwill included in the valuation of significant investments	(55,522)	Statement of Financial Position	A part of Investments in associates
(-) Other intangible assets	**(739,900)**	-	-
(-) Other intangible assets gross amount	(929,033)	Statement of Financial Position	A part of Intangible Assets
Deferred tax liabilities associated to other intangible assets	189,133	Deferred tax assets and deferred tax liabilities	Deferred tax liabilities associated to Intangible Assets
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	**(10,015)**	Deferred tax assets and deferred tax liabilities	A part of Deferred Tax Assets
(-)Defined benefit pension fund assets	**-**	Pension and similar obligations	Output of translation calculations based on Net Assets
ADDITIONAL TIER 1 CAPITAL	**337,261**	**-**	**-**
Capital instruments eligible as AT1 Capital	**334,802**	Statement of Changes in Equity	Additional Tier 1 Capital
Instruments issued by subsidiaries that are given recognition in AT1 Capital	**12,293**	N/A	N/A (Output of a consolidation model, including transitional effects)
Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	**(9,834)**	N/A	N/A (Output of a consolidation model, including transitional effects)
TIER 2 CAPITAL	**199,603**	**-**	**-**
Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	**189,361**	Subordinated Loans	N/A Output of maturity deduction calculations applied on Subordinated Loans
Instruments issued by subsidiaries that are given recognition in T2 Capital	**22,200**	N/A	N/A (Output of a consolidation model, including transitional effects)
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	**(11,958)**	N/A	N/A (Output of a consolidation model, including transitional effects)

11.1.1 Saxo Bank Group's Capital Items – Part 1

Table 17: Group Capital Items Part 1

Issuer	Saxo Bank A/S	Saxo Bank A/S	Saxo Bank A/S
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	N/A	XS1143478847	N/A
Governing law(s) of the instrument	Danish	English/Danish	Denmark
Regulatory treatment			
Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Ineligible
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & sub-consolidated	Solo & sub-consolidated	Solo & sub-consolidated
Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52. Perpetual Fixed Rate Resettable Additional Tier 1 Capital Notes (Writedown Contingent Convertible Bond)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	DKK 706.7m	DKK 334.8m	DKK 4.4m
Nominal amount of instrument	DKK 66.6m	EUR 45m	EUR 1m
Issue price	N/A	100%	100%
Redemption price	N/A	100% of nominal amount	100%
Accounting classification	Shareholders' equity	Shareholders' equity	Liability - amortised cost
Original date of issuance	N/A	26/11/2014	12/12/2006
Perpeptual or dated	Perpetual	Perpetual	Dated
Original maturity date	No maturity	No maturity	15.12.2019
Issuer call subjet to prior supervisory approval	No	Yes	Yes
Optional call date, contingent call dates, and redemption amount	N/A	Optional call date: 26/02/2020 Optional redemption upon the occurence of a special event 100% of the nominal amount	Optional call dates from 15. December 2013 and forwards: Redemption price: Principal + accrued interest
Subsequent call dates, if applicable	N/A	Optional redemption on all interest payment dates after the first call date	Optional redemption on all interest payment dates after the first call date
Coupons / dividends			
Fixed or floating dividend/coupon	N/A	Fixed	Floating
Coupon rate and any related index	N/A	Fixed 9.75 per cent per annum, until first call date when reset and on each Reset date thereafter	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.12.2016 and thereafter 3.95 percent per annum.

Existence of a dividend stopper	N/A	No, payments of interest on the notes may be cancelled even if holder of the Issuer's shares continue to receive dividends.	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionary	Full discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Full discretionary	Mandatory
Existence of step up or other incentive to redeem	N/A	No	Yes
Noncumulative or cumulative	N/A	Non cumulative	Cumulative
Convertible or non-convertible	N/A	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specifiy instrument type convertible into	N/A	N/A	N/A
If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	N/A	Yes	No
If write-down, write-down trigger (s)	N/A	If at any time the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group has fallen below 7.000 per cent., the Outstanding Principal Amounts shall be reduced (in whole or in part).	N/A
If write-down, full or partial	N/A	Fully or partially	N/A
If write-down, permanent or temporary	N/A	Permanent/Temporary Following any such reduction of the Outstanding Principal Amounts, the Issuer may, at its discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met.	N/A
If temporary write-down, description of write-up mechanism	N/A	Following a reduction of the Outstanding Principal Amounts, the Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes, subject to compliance with the Relevant Rules (including the Maximum Distributable Amount (if any) and, for such purpose, the amount of such reinstatement shall be aggregated together with other distributions of the Issuer or the Group of the kind referred to in Article 141(2) of the CRD IV Directive or, if different, any provision of Danish law implementing Article 141(2) of the CRD IV Directive), on a pro-rata basis with all other Discretionary Temporary Loss Absorption Instruments (if any) which would, following such reinstatement, constitute Additional Tier 1 Capital.	N/A

Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2	Subordinated to Senior
Non-compliant transitioned features	No	No	Yes
If yes, specifiy non-compliant features	N/A	N/A	Instrument issued according to earlier rules. Features include e.g. step-up

11.1.2 Saxo Bank Group's Capital Items – Part 2

Table 18: Group Capital items Part 2

Issuer	Saxo Bank A/S	Saxo Bank A/S	Saxo Bank A/S
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	N/A	N/A	N/A
Governing law(s) of the instrument	Denmark	Denmark	Denmark
Regulatory treatment			
Transitional CRR rules	Tier 2	Tier 2	Tier 2
Post-transitional CRR rules	Ineligible	Ineligible	Ineligible
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & sub-consolidated	Solo & sub-consolidated	Solo & sub-consolidated
Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	DKK 52.2m	DKK 60.6m	DKK 40.4m
Nominal amount of instrument	EUR 12m	EUR 15m	EUR 10m
Issue price	100%	97%	97%
Redemption price	100%	100%	100%
Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
Original date of issuance	12/12/2006	1/5/2007	26/6/2007
Perpeptual or dated	Dated	Dated	Dated
Original maturity date	15.12.2019	01.09.2020	15.09.2020
Issuer call subjet to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	Optional call dates from 15. December 2013 and forwards: Redemption price: Principal + accrued interest	Optional call dates from 15. December 2017 and forwards: Redemption price: Principal + accrued interest	Optional call dates from 15. December 2017 and forwards: Redemption price: Principal + accrued interest
Subsequent call dates, if applicable	Optional redemption on all interest payment dates after the first call date	Optional redemption on all interest payment dates after the first call date	Optional redemption on all interest payment dates after the first call date
Coupons / dividends			
Fixed or floating dividend/coupon	Floating	Floating	Floating
Coupon rate and any related index	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount. Margin Rate: 2.95 percent per annum before 15.12.2016 and thereafter 3.95 percent per annum.	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.09.2017 and thereafter 3.95 percent per annum.	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.09.2017 and thereafter 3.95 percent per annum.
Existence of a dividend stopper	Yes	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing	Partially discretionary	Partially discretionary	Partially discretionary
Fully discretionary, partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary

or mandatory (in terms of amount)			
Existence of step up or other incentive to redeem	Yes	Yes	Yes
Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specifiy instrument type convertible into	N/A	N/A	N/A
If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	No	No	No
If write-down, write-down trigger (s)	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	h
Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to Senior	Subordinated to Senior	Subordinated to Senior
Non-compliant transitioned features	Yes	Yes	Yes
If yes, specifiy non-compliant features	Instrument issued according to earlier rules. Features include e.g. step-up	Instrument issued according to earlier rules. Features include e.g. step-up	Instrument issued according to earlier rules. Features include e.g. step-up

11.1.3 Saxo Bank Group's Capital Instruments' Main Features – Part 3

Table 19: Group Capital items part 3

Issuer	Saxo Bank A/S	Saxo Privatbank A/S	Saxo Privatbank A/S	Saxo Privatbank A/S
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	N/A	DK018800002	N/A	N/A
Governing law(s) of the instrument	Denmark	Danish	Denmark	Denmark
Regulatory treatment				
Transitional CRR rules	Tier 2	Common Equity Tier 1	Common Equity Tier 1	Tier 2
Post-transitional CRR rules	Ineligible	Common Equity Tier 1	Ineligible	Ineligible
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & sub-consolidated	Solo & sub-consolidated	Solo & sub-consolidated	Solo & sub-consolidated
Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)	Share capital as published in Regulation (EU) No 575/2013 article 28	FIL § 208.2 and Common Equity Tier 1 (grandfathered) as published in Regulation No 575/2013 article 484.3	FIL § 208.2 and Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	DKK 30.9m	DKK 267.6m (before consolidation)	DKK 173.6m (before consolidation)	DKK 7.3m (before consolidation)
Nominal amount of instrument	EUR 7m	DKK 267.6m	DKK 173.6m	DKK 7.3m
Issue price	97%	N/A	100%	100%
Redemption price	100%	N/A	100%	100%
Accounting classification	Liability - amortised cost	Shareholders' equity	Liability - amortised cost	Liability - amortised cost
Original date of issuance	12/12/2006	N/A	1.11.2010	1.11.2010
Perpetual or dated	Dated	Perpetual	Dated	Dated
Original maturity date	15/09/2019	No maturity	1.11.2015	1.11.2015
Issuer call subjet to prior supervisory approval	Yes	No	No	No
Optional call date, contingent call dates, and redemption amount	Optional call dates from 15. December 2013 and forwards: Redemption price: Principal + accrued interest	N/A	N/A	N/A
Subsequent call dates, if applicable	Optional redemption on all interest payment dates after the first call date	N/A	N/A	N/A
Coupons / dividends				
Fixed or floating dividend/coupon	Floating	N/A	Floating	Floating

Coupon rate and any related index	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.12.2016 and thereafter 3.95 percent per annum.	N/A	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates of the banks 12 month deposites which amout to 1,75 percent per annum at 31.12.2014 Margin Rate: DKK 111.3 mio. has a margin at 3.25 percent per annum and DKK 62.3 mio. has a margin at 1.25 percent per annum.	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates of the banks 12 month deposites which amout to 1,75 percent per annum at 31.12.2014 Margin Rate: DKK 4.7 mio. has a margin at 3.25 percent per annum and DKK 2.6 mio. has a margin at 1.25 percent per annum.
Existence of a dividend stopper	Yes	N/A	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing	Partially discretionary	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Fully discretionary	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Yes	N/A	N/A	N/A
Noncumulative or cumulative	Cumulative	N/A	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	N/A	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down features	No	N/A	No	No
If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to Senior	Additional Tier 1	Additional Tier 1	Subordinated to Senior
Non-compliant transitioned features	Yes	No	Yes	Yes

If yes, specifiy non-compliant features	Instrument issued according to earlier rules. Features include e.g. step-up	N/A	Instrument issued according to earlier Danish transitional rules. The instrument is not perpetual and is a kind of subordinated debt due to the fact that in the event of dissolution of Saxo Privatbank, guarantee injections shall be repaid before the share capital in Saxo Privatbank.	Instrument issued according to earlier Danish transitional rules. The instrument is not perpetual and is a kind of subordinated debt due to the fact that in the event of dissolution of Saxo Privatbank, guarantee injections shall be repaid before the share capital in Saxo Privatbank.

11.1.4 Saxo Bank Group Transitional Own Funds Disclosure

Table 20: Saxo Bank Group Transitional Own Funds Disclosure

Common Equity Tier 1 capital: instruments and reserves (1)		31/12/2014 DKK 1,000	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	706,704	26 (1), 27, 28, 29, EBA list 26 (3)	N/A
	of which: Instrument type 1	-	EBA list 26 (3)	N/A
	of which: Instrument type 2	-	EBA list 26 (3)	N/A
	of which: Instrument type 3	-	EBA list 26 (3)	N/A
2	Retained earnings	2,994,470	26 (1) (c)	N/A
3	Accumulated other comprehensive income (and any other reserves)	138,207	26 (1)	N/A
3a	Funds for general banking risk	-	26 (1) (f)	N/A
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)	N/A
	Public sector capital injections grandfathered until 1 january 2018	-	483 (2)	N/A
5	Minority interests (amount allowed in consolidated CET1)	144,575	84, 479, 480	28,364
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)	N/A
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	3,983,956	**-**	N/A

Common Equity Tier 1 (CET1) capital: regulatory adjustments

7	Additional value adjustments (negative amount)	(6,682)	34, 105	N/A
8	Intangible assets (net of related tax liability) (negative amount)	(1,742,506)	36 (1) (b), 37, 472 (4)	N/A
9	Empty set in the EU	-	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(10,015)	36 (1) (c), 38, 472 (5)	N/A
11	Fair value reserves related to gains or losses on cash flow hedges	60,568	33 (a)	N/A
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159, 472 (6)	N/A
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b) (c)	N/A
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41, 472 (7)	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)	N/A
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)	-	36 (1) (g), 44, 472 (9)	N/A
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	N/A
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	N/A
20	Empty set in the EU	-	-	-

20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)	N/A
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91	N/A
20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) ,243 (1) (b), 244 (1) (b), 258	N/A
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)	N/A
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)	N/A
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b), 470, 472 (11)	N/A
24	Empty set in the EU	-	-	-
25	of which: deferred tax assets arising from temporary difference	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
25a	Losses for the current financial year (negative amount)	-	36 (1) (a), 472 (3)	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)	N/A
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-	36 (1) (j)	N/A
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(1,698,636)	-	-
29	**Common Equity Tier 1 (CET1) capital**	2,285,321	-	-

Additional Tier 1 (AT1) capital: instruments

30	Capital instruments and the related share premium accounts	-	51, 52	N/A
31	of which: classified as equity under applicable accounting standards	334,802	-	N/A
32	of which: classified as liabilities under applicable accounting standards	-	-	N/A
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)	N/A
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	2,459	85, 86, 480	-2,459
35	of which: instruments issued by subsidiaries subject to phase-out	4,451	486 (3)	N/A
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	337,261	-	N/A

Additional Tier 1 (AT1) capital: regulatory adjustments

37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)	N/A
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)	N/A
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)	N/A
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	N/A
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	-	-	N/A
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses, etc.	-	-	N/A

41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	477, 477 (3), 477 (4) (a)	N/A
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investements in the capital of other financial sector entities, etc.	-	-	N/A
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	N/A
	Of which:..possible filter for unrealized losses	-	467	N/A
	Of which: ..possible filter for unrelised gains	-	468	N/A
	Of which:…	-	481	N/A
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)	N/A
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	-	N/A
44	**Additional Tier 1 (AT1) capital**	337,261	-	N/A
45	**Tier 1 capital (T1 = CET1 + AT1)**	2,622,581	-	N/A

Tier 2 (T2) capital: instruments and provisions

46	Capital instruments and the related share premium accounts	189,361	62, 63	N/A
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)	N/A
	Public sector capital injections grandfathered until 1 january 2018	-	483 (4)	N/A
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	10,241	87, 88, 480	-2,990

49	of which: instruments issued by subsidiaries subject to phase-out	-	486 (4)	N/A
50	Credit risk adjustments	-	62 (c) & (d)	N/A
51	**Tier 2 (T2) capital before regulatory adjustment**	199,603	-	N/A

Tier 2 (T2) capital: regulatory adjustments

52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)	N/A
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)	N/A
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)	N/A
54a	Of which new holdings not subject to transitional arrangements	-	-	N/A
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements	-	-	N/A
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	66 (d), 69, 79, 477 (4)	N/A
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-	N/A
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
	of which: instruments issued by subsidiaries subject to phase-out	-	-	N/A
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	N/A
	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses, etc.	-	-	N/A

56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	-	467, 468, 481	N/A
	Of which:..possible filter for unrealized losses	-	-	N/A
	Of which:..possible filter for unrealized gains	-	-	N/A
	Of which:…	-	-	N/A
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	-	N/A
58	**Tier 2 (T2) capital**	199,603	-	N/A
59	**Total capital (TC = T1 + T2)**	2,822,184	-	N/A
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-	-	N/A
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	432,920	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	N/A
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	N/A
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	N/A
60	**Total risk-weighted assets**	14,300,008	-	N/A

Capital ratios and buffers

61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.0%	92 (2) (a), 465	N/A
62	Tier 1 (as a percentage of total risk exposure amount)	18.3%	92 (2) (b), 465	N/A

63	Total capital (as a percentage of total risk exposure amount)	19.7%	92 (2) (c)	N/A
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	not yet implemented	CRD 128, 129, 140	N/A
65	of which: capital conservation buffer requirement	not yet implemented	-	N/A
66	of which: countercyclical buffer requirement	not yet implemented	-	N/A
67	of which: systemic risk buffer requirement	not yet implemented	-	N/A
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	not yet implemented	CRD 131	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	not yet implemented	CRD 128	N/A
69	[non-relevant in EU regulation]	-	-	N/A
70	[non-relevant in EU regulation]	-	-	N/A
71	[non-relevant in EU regulation]	-	-	N/A

Amounts below the thresholds for deduction (before risk-weighting)

72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	35,826	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	N/A
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	134,239	36 (1) (i), 45, 48, 470, 472 (11)	N/A
74	Empty set in the EU	-	-	N/A
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	38,929	36 (1) (c), 38, 48, 470, 472 (5)	N/A

Applicable caps on the inclusion of provisions in Tier 2

76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62	N/A
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	62	N/A
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	N/A

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)

80	- Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)	N/A
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)	N/A
82	- Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)	N/A
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)	N/A
84	- Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)	N/A
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)	N/A

11.2 Saxo Bank A/S – Balance Sheet Reconciliation

Table 21: Saxo Bank A/S Balance sheet reconciliation (31/12/2014)

Item	Amount (1,000 DKK)	Table in Annual Report	Item in table
OWN FUNDS	**2,608,638**	-	-
TIER 1 CAPITAL	**2,419,276**	-	-
COMMON EQUITY TIER 1 CAPITAL	**2,084,474**	-	-
Capital instruments eligible as CET1 Capital	**706,704**	-	-
Paid up capital instruments	66,618	Share Capital	Statement of Changes in Equity
Share premium	640,086	A part of Retained Earnings	Statement of Changes in Equity
Retained earnings	**2,958,929**	Retained Earnings	Statement of Changes in Equity
Accumulated other comprehensive income	**(6,403)**	Total other comprehensive income	Statement of Changes in Equity
Other reserves	**185,161**	Sum of translation, hedging and revaluation reserves	-
Equity method reserve	185,161	Translation reserve	Statement of Changes in Equity
Minority interest given recognition in CET1 capital	-	N/A (Output of a consolidation model, including transitional effects)	N/A
Transitional adjustments due to additional minority interests	-	N/A (Output of a consolidation model, including transitional effects)	N/A
Adjustments to CET1 due to prudential filters	**(4,844)**	-	-
(-) Value adjustments due to the requirements for prudent valuation	**(4,844)**	N/A (Output of AVA model)	N/A
(-) Goodwill	**(992,599)**	-	-
(-) Goodwill accounted for as intangible asset	(937,077)	A part of Intangible Assets	Statement of Financial Position
(-) Goodwill included in the valuation of significant investments	(55,522)	A part of Investments in associates	Statement of Financial Position
(-) Other intangible assets	**(762,474)**	-	-
(-) Other intangible assets gross amount	(963,723)	A part of Intangible Assets	Statement of Financial Position
Deferred tax liabilities associated to other intangible assets	201,249	Deferred tax liabilities associated to Intangible Assets	Deferred tax assets and deferred tax liabilities

(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	**-**	A part of Deferred Tax Assets	Deferred tax assets and deferred tax liabilities
(-)Defined benefit pension fund assets	-	Output of translation calculations based on Net Assets	Pension and similar obligations
ADDITIONAL TIER 1 CAPITAL	334,802		
Capital instruments eligible as AT1 Capital	**334,802**	Additional Tier 1 Capital	Statement of Changes in Equity
Instruments issued by subsidiaries that are given recognition in AT1 Capital	**-**	N/A (Output of a consolidation model, including transitional effects)	N/A
Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	**-**	**N/A (Output of a consolidation model, including transitional effects)**	**N/A**
TIER 2 CAPITAL	**189,361**	-	-
Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	**189,361**	N/A Output of maturity deduction calculations applied on Subordinated Loans	Subordinated Loans
Instruments issued by subsidiaries that are given recognition in T2 Capital	**-**	N/A (Output of a consolidation model, including transitional effects)	N/A
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	**-**	**N/A (Output of a consolidation model, including transitional effects)**	**N/A**

11.2.1 Saxo Bank A/S – Capital Instruments' Main Features Part 1

Table 22: Saxo Bank A/S Capital items part 1

Issuer	Saxo Bank A/S	Saxo Bank A/S	Saxo Bank A/S
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	N/A	XS1143478847	N/A
Governing law(s) of the instrument	Danish	English/Danish	Denmark
Regulatory treatment			
Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Ineligible
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & sub-consolidated	Solo & sub-consolidated	Solo & sub-consolidated
Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52. Perpetual Fixed Rate Resettable Additional Tier 1 Capital Notes (Writedown Contingent Convertible Bond)	Tier 2 (grandfathered) as published in Regulation No 575/2013 asrtivle 484.5 (Floating Subordinated Rate Note)
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	DKK 706.7m	DKK 334.8m	DKK 4.4m
Nominal amount of instrument	DKK 66.6m	EUR 45m	EUR 1m
Issue price	N/A	100%	100%
Redemption price	N/A	100% of nominal amount	1
Accounting classification	Shareholders' equity	Shareholders' equity	Liability - amortised cost
Original date of issuance	N/A	26/11/2014	39063
Perpeptual or dated	Perpetual	Perpetual	Dated
Original maturity date	No maturity	No maturity	15.12.2019
Issuer call subject to prior supervisory approval	No	Yes	Yes
Optional call date, contingent call dates, and redemption amount	N/A	Optional call date: 26/02/2020 Optional redemption upon the occurence of a special event 100% of the nominal amount	Optional call dates from 15. December 2013 and forwards: Redemption price: Principal + accrued interest
Subsequent call dates, if applicable	N/A	Optional redemption on all interest payment dates after the first call date	Optional redemption on all interest payment dates after the first call date
Coupons / dividends			
Fixed or floating dividend/coupon	N/A	Fixed	Floating
Coupon rate and any related index	N/A	Fixed 9.75 per cent per annum, until first call date when reset and on each Reset date thereafter	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.12.2016 and thereafter 3.95 percent per annum.
Existence of a dividend stopper	N/A	No, payments of interest on the notes may be cancelled even if holder of the Issuer's shares continue to receive dividends.	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionary	Full discretionary	Mandatory

Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Full discretionary	Mandatory
Existence of step up or other incentive to redeem	N/A	No	Yes
Noncumulative or cumulative	N/A	Non cumulative	Cumulative
Convertible or non-convertible	N/A	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specifiy instrument type convertible into	N/A	N/A	N/A
If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	N/A	Yes	No
If write-down, write-down trigger (s)	N/A	If at any time the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group has fallen below 7.000 per cent., the Outstanding Principal Amounts shall be reduced (in whole or in part).	N/A
If write-down, full or partial	N/A	Fully or partially	N/A
If write-down, permanent or temporary	N/A	Permanent/Temporary Following any such reduction of the Outstanding Principal Amounts, the Issuer may, at its discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met.	N/A
If temporary write-down, description of write-up mechanism	N/A	Following a reduction of the Outstanding Principal Amounts, the Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes, subject to compliance with the Relevant Rules (including the Maximum Distributable Amount (if any) and, for such purpose, the amount of such reinstatement shall be aggregated together with other distributions of the Issuer or the Group of the kind referred to in Article 141(2) of the CRD IV Directive or, if different, any provision of Danish law implementing Article 141(2) of the CRD IV Directive), on a pro-rata basis with all other Discretionary Temporary Loss Absorption Instruments (if any) which would, following such reinstatement, constitute Additional Tier 1 Capital.	N/A
Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2	Subordinated to Senior
Non-compliant transitioned features	No	No	Yes
If yes, specifiy non-compliant features	N/A	N/A	Instrument issued according to earlier rules. Features include e.g. step-up

11.2.2 Saxo Bank A/S – Capital Instruments' Main Features Part 2

Table 23: Saxo Bank A/S Capital items part 2

Issuer	Saxo Bank A/S	Saxo Bank A/S	Saxo Bank A/S	Saxo Bank A/S
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	N/A	N/A	N/A	
Governing law(s) of the instrument	Denmark	Denmark	Denmark	Denmark
Regulatory treatment				
Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
Post-transitional CRR rules	Ineligible	Ineligible	Ineligible	Ineligible
Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & sub-consolidated	Solo & sub-consolidated	Solo & sub-consolidated	Solo & sub-consolidated
Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)	Tier 2 (grandfathered) as published in Regulation No 575/2013 article 484.5 (Floating Subordinated Rate Note)
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	DKK 52.2m	DKK 60.6m	DKK 40.4m	DKK 30.9m
Nominal amount of instrument	EUR 12m	EUR 15m	EUR 10m	EUR 7m
Issue price	100%	97%	0.97	0.97
Redemption price	100%	100%	1	1
Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
Original date of issuance	12/12/2006	1/5/2007	26/6/2007	39063
Perpeptual or dated	Dated	Dated	Dated	Dated
Original maturity date	15.12.2019	01.09.2020	15.09.2020	15/09/2019
Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	Optional call dates from 15. December 2013 and forwards: Redemption price: Principal + accrued interest	Optional call dates from 15. December 2017 and forwards: Redemption price: Principal + accrued interest	Optional call dates from 15. December 2017 and forwards: Redemption price: Principal + accrued interest	Optional call dates from 15. December 2013 and forwards: Redemption price: Principal + accrued interest
Subsequent call dates, if applicable	Optional redemption on all interest payment dates after the first call date	Optional redemption on all interest payment dates after the first call date	Optional redemption on all interest payment dates after the first call date	Optional redemption on all interest payment dates after the first call date
Coupons / dividends				
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating

Coupon rate and any related index	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount. Margin Rate: 2.95 percent per annum before 15.12.2016 and thereafter 3.95 percent per annum.	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.09.2017 and thereafter 3.95 percent per annum.	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.09.2017 and thereafter 3.95 percent per annum.	Rate of Interest: Screen Rate + Margin Rate. Screen Rate: Mean of the rates quoted by major banks in the Euro-zone at appr.11.00 AM for a period of three months on the first day of such interes Period and for the representative amount.Margin: 2.95 percent per annum before 15.12.2016 and thereafter 3.95 percent per annum.
Existence of a dividend stopper	Yes	Yes	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Existence of step up or other incentive to redeem	Yes	Yes	Yes	Yes
Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down features	No	No	No	No
If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to Senior	Subordinated to Senior	Subordinated to Senior	Subordinated to Senior
Non-compliant transitioned features	Yes	Yes	Yes	Yes
If yes, specifiy non-compliant features	Instrument issued according to earlier rules. Features include e.g. step-up	Instrument issued according to earlier rules. Features include e.g. step-up	Instrument issued according to earlier rules. Features include e.g. step-up	Instrument issued according to earlier rules. Features include e.g. step-up

11.2.3 Saxo Bank A/S – Transitional Own Funds Disclosure

Table 24: Saxo Bank A/S Own Funds

Common Equity Tier 1 capital: instruments and reserves (1)		31/12/2014 DKK 1,000	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	706,704	26 (1), 27, 28, 29, EBA list 26 (3)	N/A
	of which: Instrument type 1	-	EBA list 26 (3)	N/A
	of which: Instrument type 2	-	EBA list 26 (3)	N/A
	of which: Instrument type 3	-	EBA list 26 (3)	N/A
2	Retained earnings	2,958,929	26 (1) (c)	N/A
3	Accumulated other comprehensive income (and any other reserves)	178,757	26 (1)	N/A
3a	Funds for general banking risk	-	26 (1) (f)	N/A
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)	N/A
	Public sector capital injections grandfathered until 1 january 2018	-	483 (2)	N/A
5	Minority interests (amount allowed in consolidated CET1)	-	84, 479, 480	N/A
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)	N/A
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	3,844,391	**-**	N/A
Common Equity Tier 1 (CET1) capital: regulatory adjustments				

7	Additional value adjustments (negative amount)	(4,844)	34, 105	N/A
8	Intangible assets (net of related tax liability) (negative amount)	(1,755,073)	36 (1) (b), 37, 472 (4)	N/A
9	Empty set in the EU	-	-	N/A
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 472 (5)	N/A
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (a)	N/A
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159, 472 (6)	N/A
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b) (c)	N/A
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41, 472 (7)	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)	N/A
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)	-	36 (1) (g), 44, 472 (9)	N/A
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	N/A
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	N/A
20	Empty set in the EU	-	-	N/A
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)	N/A

20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91	N/A
20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) ,243 (1) (b), 244 (1) (b), 258	N/A
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)	N/A
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)	N/A
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b), 470, 472 (11)	N/A
24	Empty set in the EU	-	-	N/A
25	of which: deferred tax assets arising from temporary difference	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
25a	Losses for the current financial year (negative amount)	-	36 (1) (a), 472 (3)	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)	N/A
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-	36 (1) (j)	N/A
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(1,759,917)	-	N/A
29	**Common Equity Tier 1 (CET1) capital**	2,084,474	-	N/A
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-	51, 52	N/A

31	of which: classified as equity under applicable accounting standards	334,802	-	N/A
32	of which: classified as liabilities under applicable accounting standards	-	-	N/A
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)	N/A
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480	N/A
35	of which: instruments issued by subsidiaries subject to phase-out	-	486 (3)	N/A
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	334,802	-	N/A

Additional Tier 1 (AT1) capital: regulatory adjustments

37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)	N/A
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)	N/A
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)	N/A
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	N/A
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	-	-	N/A
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses, etc.	-	-	N/A
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	477, 477 (3), 477 (4) (a)	N/A

	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investements in the capital of other financial sector entities, etc.	-	-	N/A
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	-	467, 468, 481	N/A
	Of which:..possible filter for unrealized losses	-	467	N/A
	Of which: ..possible filter for unrelised gains	-	468	N/A
	Of which:…	-	481	N/A
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)	N/A
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	-	N/A
44	**Additional Tier 1 (AT1) capital**	334,802	-	N/A
45	**Tier 1 capital (T1 = CET1 + AT1)**	2,419,276	-	N/A

Tier 2 (T2) capital: instruments and provisions

46	Capital instruments and the related share premium accounts	189,361	62, 63	N/A
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)	N/A
	Public sector capital injections grandfathered until 1 january 2018	-	483 (4)	N/A
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-	87, 88, 480	N/A
49	of which: instruments issued by subsidiaries subject to phase-out	-	486 (4)	N/A

50	Credit risk adjustments	-	62 (c) & (d)	N/A
51	**Tier 2 (T2) capital before regulatory adjustment**	189,361	-	N/A
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)	N/A
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)	N/A
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)	N/A
54a	Of which new holdings not subject to transitional arrangements	-	-	N/A
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements	-	-	N/A
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	66 (d), 69, 79, 477 (4)	N/A
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-	N/A
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
	of which: instruments issued by subsidiaries subject to phase-out	-		N/A
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	N/A
	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses, etc.	-	-	N/A
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	-	467, 468, 481	N/A

	Of which:..possible filter for unrealized losses	-	-	N/A
	Of which:..possible filter for unrealized gains	-	-	N/A
	Of which:…	-	-	N/A
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	-	N/A
58	**Tier 2 (T2) capital**	189,361	-	N/A
59	**Total capital (TC = T1 + T2)**	2,608,638	-	N/A
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-	-	N/A
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	403,713	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	N/A
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	N/A
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	N/A
60	**Total risk-weighted assets**	11,820,074	-	N/A
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.6%	92 (2) (a), 465	N/A
62	Tier 1 (as a percentage of total risk exposure amount)	20.5%	92 (2) (b), 465	N/A
63	Total capital (as a percentage of total risk exposure amount)	22.1%	92 (2) (c)	N/A

64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	not yet implemented	CRD 128, 129, 140	N/A
65	of which: capital conservation buffer requirement	not yet implemented	-	N/A
66	of which: countercyclical buffer requirement	not yet implemented	-	N/A
67	of which: systemic risk buffer requirement	not yet implemented	-	N/A
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	not yet implemented	CRD 131	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	not yet implemented	CRD 128	N/A
69	[non-relevant in EU regulation]	-	-	N/A
70	[non-relevant in EU regulation]	-	-	N/A
71	[non-relevant in EU regulation]	-	-	N/A

Amounts below the thresholds for deduction (before risk-weighting)

72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	35,826	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	N/A
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	134,239	36 (1) (i), 45, 48, 470, 472 (11)	N/A
74	Empty set in the EU	-	-	N/A
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	27,246	36 (1) (c), 38, 48, 470, 472 (5)	N/A

Applicable caps on the inclusion of provisions in Tier 2

76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62	N/A
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	62	N/A
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	N/A

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)

80	- Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)	N/A
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)	N/A
82	- Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)	N/A
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)	N/A
84	- Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)	N/A
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)	N/A

12 Annex B: Additional Asset Encumbrance disclosure requirements

This Annex B includes additional **Asset Encumbrance disclosures requirements**, according to Guidelines on disclosure of encumbered and unencumbered assets issued by EBA in 2014 for the Bank and the Group.

Saxo Bank has chosen to use data as of 31 December 2014 (as alternative for median values of at least quarterly data on a rolling basis over the previous twelve months) for the disclosure of Asset Encumbrance end December 2014. This choice is made on the basis of prior approval from the Danish FSA.

12.1 Saxo Bank A/S

Table 25: Template A - Assets (31/12/2014)

DKK 1,000		Carrying amount of encumbered assets (010)	Fair value of encumbered assets (040)	Carrying amount of unencumbered assets (060)	Fair value of unencumbered assets (090)
010	**Assets of the reporting institution**	**4,184,711**		**26,016,142**	
030	Equity instruments	-	-	6,314	6,314
040	Debt securities	4,019,122	4,019,122	11,092,645	11,092,645
120	Other assets	165,589		14,917,183	

Table 26: Template B: Collateral received (31/12/2014)

DKK 1,000		Fair value of encumbered collateral received or own debt securities issued (010)	Fair value of collateral received or own debt securities issued available for encumbrance (040)
130	**Collateral received by the reporting institution**	**-**	**-**
150	Equity instruments	-	-
160	Debt securities	-	-
230	Other collateral received	-	-
240	**Own debt securities issued other than own covered bonds or ABSs**	**-**	**-**

Table 27: Template C - Encumbered assets/collateral received and associated liabilities

DKK 1,000		Matching liabilities, contingent liabilities or securities lent (010)	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered (030)
010	**Carrying amount of selected financial liabilities**	**-**	**4,184,711**

Template D – Information on importance of encumbrance

The Bank asset encumbrance comes from collateral posted at financial business partners in connection with derivatives trading and consists mostly of Government Bonds.

The Bank's development in asset encumbrance follows the activities in the market and depends on the level of derivatives trading from customers and the banks following hedge hereof with financial business partners. Assets which are being placed at facilities that are not used and can be freely withdrawn is not included in encumbered assets.

End of December 2004 13.9% of the total balance sheet amount is encumbered. Debt securities on DKK 11,09 billion (government bonds and Danish Mortgage Bonds) and additional DKK 0,25 billion demand deposit in the Danish Central Bank are all assets with can be pledged on normal markets terms. This amounts to 37.6% of the total balance sheet.

12.2 Saxo Bank Group

Table 28: Template A - Assets

DKK 1,000		Carrying amount of encumbered assets (010)	Fair value of encumbered assets (040)	Carrying amount of unencumbered assets (060)	Fair value of unencumbered assets (090)
010	**Assets of the reporting institution**	**4,654,359**		**31,353,909**	
030	Equity instruments	-	-	43,067	43,067
040	Debt securities	4,019,122	4,019,122	13,535,583	13,535,583
120	Other assets	635,237		17,775,259	

Table 29: Template B - Collateral received

DKK 1,000		Fair value of encumbered collateral received or own debt securities issued (010)	Fair value of collateral received or own debt securities issued available for encumbrance (040)
130	**Collateral received by the reporting institution**	**-**	**-**
150	Equity instruments	-	-
160	Debt securities	-	-
230	Other collateral received	-	-
240	**Own debt securities issued other than own covered bonds or ABSs**	**-**	**-**

Table 30: Template C - Encumbered assets/collateral received and associated liabilities

DKK 1,000		Matching liabilities, contingent liabilities or securities lent (010)	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered (030)
010	**Carrying amount of selected financial liabilities**	**-**	**4,276,011**

Template D – Information on importance of encumbrance

The Group´s level of asset encumbrance consists of asset encumbrance from Saxo Bank (disclosed above), encumbered assets in the subsidiary which owns the Bank's headquarter (partly pledge of the Bank's headquarter) and a very small amount of asset encumbrance from the subsidiary Saxo Privatbank A/S (Danish retail bank).
Part of the difference between the unencumbered debt securities on group level (13,5 billion) and Bank level (11,1 billion) are not free to pledge on Bank level due to local regulatory requirements in the subsidiaries holding these debt securities.