

ANNUAL REPORT

2012





Lars Seier Christensen and Kim Fournais
Founders and Co-CEOs of Saxo Bank
Photo: Jens Rosenfeldt

CONTENTS

REVIEW OF 2012

- 5** | Management Report
- 10** | Financial Review
- 13** | Operational Review
- 20** | 2012 Milestones

THE BUSINESS OF SAXO BANK

- 23** | Saxo Bank's Business Model
- 26** | Capital Management
- 28** | Risk Factors

FINANCIAL STATEMENTS

- 31** | Contents Financial Statements
- 32** | Income Statement
- 33** | Statement of Comprehensive Income
- 34** | Statement of Financial Position
- 36** | Statement of Changes in Equity
- 38** | Statement of Capital Base
- 39** | Cash Flow Statement
- 40** | Notes
- 105** | Parent Company – Saxo Bank A/S
- 127** | Statement by the Management
- 128** | Statements by the Independent Auditor

COMPANY INFORMATION

- 131** | Board of Directors and Board of Management
- 132** | Addresses
- 135** | Saxo Bank in Brief

REVIEW OF 2012

MANAGEMENT REPORT

In 2012, business conditions in the global retail trading market were difficult, as low market volatility and negative macroeconomic outlooks in many markets led to low trading volumes and reduced risk appetite with investors and traders. Against this background Saxo Bank's net profit for the year decreased to DKK 81 million in 2012 from DKK 618 million in 2011. On the positive side, clients' funds held as collateral for trading increased by DKK 6.6 billion and reached DKK 33.3 billion by the end of the year.

Despite the prevailing uncertainty in the financial markets, Saxo Bank continued in 2012 to invest in improving its future product offering and competitiveness in its core business areas, thereby positioning the Bank to benefit the most from a return to normal levels of market activity and growth opportunities.

Investments undertaken in 2012 comprised a range of IT projects, including investments in new products and platform improvements, and implementation of new technologies and system enhancements in the Bank's core IT infrastructure.

In November 2012, steps were taken to reduce the Bank's cost-base, thus improving its ability to serve clients in an efficient way and maintain profitability during periods of low market activity. As part of this, Saxo Bank decided to adjust the organisation and reduce the number of employees by 266, of which 168 were employed in the headquarters in Denmark.

In December 2012, the Bank's top management structure was changed and streamlined. In this connection, the co-founders and co-CEOs of Saxo Bank, Lars Seier Christensen and Kim Fournais, assumed direct responsibility for the Bank's operations on a daily basis, with Kim Fournais fo-

KEY FIGURES AND RATIOS

SAXO BANK GROUP

(DKK millions)	2012	2011	2010	2009	2008
Operating income	2,966.4	3,526.9	3,338.1	2,227.5	2,518.2
Profit before tax	152.0	847.9	913.8	269.4	468.6
Net profit	80.9	617.8	643.5	201.4	339.2
Total shareholders' equity	3,364.5	3,240.0	2,880.0	2,335.1	1,416.7
Total assets	26,120.1	27,018.2	22,437.7	15,210.5	10,456.1
Clients' collateral deposits (trading business)	33,266.0	26,679.5	21,092.8	15,513.0	8,717.1
Clients' collateral deposits (total)	40,199.0	35,275.3	31,296.9	15,513.0	8,717.1
Assets under Management (AuM)	48,862.6	33,170.0	31,170.9	18,963.0	–
Solvency ratio (Pillar I)	13.5%	14.5%	16.5%	19.0%	17.5%
Return before tax on total equity	4.6%	27.7%	35.0%	14.4%	37.3%
Average number of employees	1,522	1,413	964	927	1,297

See page 103 for definitions.

The consolidated figures for 2012-2010 are prepared in accordance with International Financial Reporting Standards (IFRS). Consolidated figures for 2009 and 2008 are prepared in accordance with the Danish Financial Business Act. Comparative figures for 2009 and 2008 are not restated. The impact on these figures is assessed not to be material.

cusing primarily on Head Office-based operations, including Markets, IT, Client Office and Finance, and Lars Seier Christensen focusing primarily on international branches and subsidiaries responsible for local sales and marketing activities. The Chief Executive Directors positions previously held by Eric Rylberg and Karsten Poulsen were discontinued. Simultaneously, Eric Rylberg and Karsten Poulsen entered into an agreement with the Bank to buy out its subsidiary, Saxo Properties A/S, with closing of the transaction expected in April 2013.

Following the management restructuring, the strategic direction of the Bank has been adjusted to focus on developing the Bank's core competences within trading and investment. A new strategic approach, "One Bank One Platform", focusing on multi-asset trading and investment, has been developed as a way to reinforce the Bank's goal to be the most professional and profitable facilitator in the global capital markets. The focus on core competences also involves the strategic shift away from activities that are not core, such as real estate investments and asset management activities except the servicing of high-end clients by Sirius in Saxo Privatbank. Although significant amounts have been invested in various non-core business areas in recent years, the actual performance and lack of strategic alignment with the core business have led to the decision to reduce the Bank's involvement in these areas.

With a clearer strategic focus on core business, management believes that Saxo Bank is now well-positioned to resume growth and pursue new opportunities within its core focus area and in so-far underserved client segments that hold significant business potential, such as financial advisors, corporates, hedge funds etc.

OPERATIONAL HIGHLIGHTS

Saxo Bank's strategy aims at expanding and improving the Bank's product and service offering to maintain its strong competitive position in its traditional core business of retail margin trading and to reach a broader client audience, including sophisticated institutional investors.

In 2012, new products, such as Contract Options, were launched, new international exchanges were added and significant platform enhancements, such as new charts were introduced. These initiatives are part of the Bank's focus on improving the trading experience of its clients.

International expansion

In the past five years, Saxo Bank has developed from being a company primarily operating out of Denmark, with only a few foreign subsidiaries, to becoming an international group with regional sales, marketing, account management, and in some instances local bank licenses with all required support functions. While only very few additional offices are planned for 2013, we continue to see local presence as an important competitive advantage.

With the expanded geographical footprint, we now have an international platform for growth going forward. We can not only target local client audiences in a more effective way, but we can also benefit more from our investments in new products and platforms, as we are able to leverage new developments on a broader client base.

In 2012, Saxo Bank launched new sales offices in several locations around the globe, including Australia, Cyprus, Poland, Uruguay and Turkey. Saxo Bank's new office in Madrid, inaugurated in January 2012, gives Saxo Bank a stronger local footprint for the Iberian Peninsula, while Saxo Capital Markets South Africa became fully operational in March, quickly tapping into the growing business potential in sub-Saharan Africa with the signing of a number of institutional and White Label clients.

With offices in Hong Kong and Singapore, Saxo Bank is strategically placed to extend its reach into mainland China, one of the world's most significant and promising markets. Both offices took steps in 2012 to enhance their service to mainland Chinese clients, and on the IT front we have implemented a new internet data transmission system designed to boost the performance of Saxo Bank's trading platforms in China, thus improving the client experience and adding to overall competitiveness in this important market.

The internationalisation of the Bank also extends to software development. Our subsidiary in New Delhi, India now employs more than 200 people, a number that is expected to grow in the future. IT development will continue in Denmark, but India will take an increasing role in future growth. As a natural step following the gradual integration of the Indian activities into Saxo Bank's IT organisation, the Indian company was renamed in early 2013 from Initto to Saxo IT India.

Enhancing the Client Experience

The continued development of internet infrastructure with higher speed, better wireless coverage and expanding capacity, and improvements in software resources, such as HTML5, have facilitated new ways of engaging, entertaining and educating clients, thereby improving the experience of retail traders. This development, in combination with social media and communities entering the trading scene, has already had a significant impact on the retail trading industry and will continue to play a key role.

In 2012, Saxo Bank strengthened the organisation to more effectively capture and apply the new opportunities in relation to new technology and social trading. In this connection, a dedicated department, the Client Office, was established and given the mandate, resources and responsibility to lead the work on marketing and client experience in a broad sense, including trading platform development, product management, social media development, client trading experience and client education. Client Office is thus responsible for the complete digital platform experience. The new Client Office is considered instrumental in ensuring that the entire Saxo value chain, also including the Markets department and the sales organisation in Commercial Group, works effectively together in creating financial value from new development projects after commercial launch.

Product development

One of Saxo Bank's most important competitive advantages is its proprietary multi-asset trading platform. The range of assets, products and instruments tradable on the SaxoTrader platform is unique in the retail trading industry

and in global capital markets in general, and new products and instruments are added on an ongoing basis to ensure that the platform remains on top of the competition. Several new exchanges were added during 2012, expanding our range of equity products with Greek and Czech stocks, as well as Hungarian and Turkish Single Stock CFDs. In addition, South African stocks and CFDs were made available to all clients.

In February 2012, with the commercial launch of Contract Options on futures and stock indices, we added an important new product to our derivatives offering, and marked the completion of one of the largest product development projects in the Bank's history.

Platform enhancements

In February, Saxo Bank launched a major addition to its platform suite: the SaxoTrader app for iOS and Android. Built on HTML5 technology, the app enables clients to trade multiple assets, access their accounts and manage orders from an iPhone or Android smartphone. An iPad version of the app was released during the summer, thereby adapting the SaxoTrader to operate on one of today's leading tablet devices. Without question one of our most popular platform releases, the apps led to more than a doubling of mobile trading volume in 2012 compared to 2011.

We also continued to develop our SaxoTrader platform, and in October the charting package received a significant upgrade. The new Silverlight charts give clients the ability to manage orders directly from the charts and provide enhanced technical studies.

Saxo Bank and social media

Social media is a vital element in Saxo Bank's client experience initiatives. We increasingly use social media such as Twitter, Facebook and LinkedIn as a marketing tool, and we will continue to develop initiatives that focus on social media as a venue for trading. TradingFloor.com, our free social community, had a busy year with a major upgrade of its social features that enable members to interact with Saxo Bank analysts. The TradingFloor community reached

a milestone during 2012, passing the 10,000 member mark for the first time. In 2013, we expect to add social trading features to TradingFloor.com, and integrate the site more closely with the Bank's commercial activities.

Trading competitions provide an entry point to new traders, and in 2012 Euroinvestor, the investor portal majority-owned by Saxo Bank, launched its inaugural "Bull Street Inc." competition in Denmark. The competition drew a substantial number of new users to Euroinvestor as well as new potential clients to Saxo Bank.

Sponsorship activities

Saxo Bank has used its cycling sponsorship as a major branding and client acquisition vehicle since 2008. Mid-2012, the Bank announced that it would continue as sponsor of Riis Cycling through 2013, joined by Tinkoff Bank, the Russian online bank, as co-sponsor. In September, Team Saxo-Tinkoff, led by the returning Alberto Contador, won the 2012 Vuelta a España.

This sponsorship gives Saxo Bank exposure in key markets, and during the 2012 Tour de France and 2012 Vuelta a España, we saw a significant increase in brand awareness.

In addition to our long-standing cycling sponsorship, we also continued to sponsor local initiatives in several countries within education, the arts, sport and health.

Institutional business

On the institutional side, Saxo Bank succeeded in closing several White Label contracts with major banks, market-leaders within their respective countries, and we saw a continuation of the White Label concept's appeal towards larger financial institutions which look to replace costly internal infrastructure projects. As an example, we extended our reach into new and important markets via a White Label agreement with Standard Bank in South Africa.

The trend towards more "open" trading infrastructures and closer linking between different trading systems and platforms is accelerating. Through our API (Application Programming Interface) offerings, consolidated under the

"Saxo Direct" brand, we enable other brokers and users of other platforms to link to Saxo Bank and tap into our liquidity within a range of products. Saxo Direct has developed into a significant new distribution channel for the Bank, adding substantially to its FX trading volumes. Since the launch in early 2012, we have experienced significant volume growth, with daily trading volume often exceeding EUR 3 billion.

During the year, efforts were made to strengthen the appeal of Saxo Bank's offering towards Asset Managers and Introducing Brokers. Saxo Bank sees substantial potential in doing business with various types of Asset Managers, including financial advisors, money managers, hedge funds and other financial institutions, managing portfolios of underlying clients, with a need for multi-asset trading capabilities and a professional-level package of reporting, management tools and support. The Bank's offering to this client segment will continue to be developed as a matter of high priority in 2013.

Saxo Privatbank

2012, the second year of operation for Saxo Privatbank, was a busy year for the bank with a number of new initiatives aiming at improving operating efficiency and more effectively capturing potential synergies between Saxo Privatbank and Saxo Bank. All branches were renamed to benefit from the Saxo brand, non-strategic client segments were sold or discontinued, and asset management services were added following the merger with Fondsmæglerselskabet Sirius Kapitalforvaltning, thus creating a more comprehensive private banking offering for Danish clients. In October, a new Saxo Privatbank website, www.saxoprivatbank.dk, was launched, covering all of the bank's services.

REGULATORY ENVIRONMENT

The regulatory environment within the financial sector is continuing to undergo changes. Within the EU, as well as within other international fora, certain key changes to the regulatory environment applying to financial institutions are being discussed. Among the proposed changes is a propos-

al for a new "Markets in Financial Instruments Directive" (MiFID II), which is expected to be adopted by the European Council in 2013 and take effect in 2015. MiFID II includes provisions regarding trading in certain standardised OTC products, enhanced investor protection and transparency regulation, which are all key issues to Saxo Bank.

In addition, the European Market Infrastructure Regulation (EMIR) is expected to impose certain requirements with regard to margin to take effect in 2013, and impose requirements regarding clearing and reporting with respect to certain standardised derivatives to take effect in 2014. Saxo Bank is assessing the likely impact of these new requirements.

Lastly, the US FATCA regime, which is expected to enter into force in 2015, will impose requirements on Saxo Bank to disclose the identity of US clients and requirements to withhold tax. Saxo Bank will continue to commit the necessary resources to address these regulatory changes,

some of which could even represent new business opportunities for the Bank.

The Danish FSA has a number of specific risk indicators and threshold values. The Bank's compliance of the specific risk indicators is available at: www.saxoworld.com/investorrelations.

CHANGES IN THE BOARD

In May 2012, Kurt K. Larsen decided to step down as Chairman of the Board of Saxo Bank and continue as ordinary board member. The Vice Chairman Dennis Malamatinas was appointed new Chairman of the Board, and board member Asiff S. Hirji was appointed new Vice Chairman. The Board of Saxo Bank consists of Dennis Malamatinas, Chairman, Asiff S. Hirji, Vice Chairman, Kurt K. Larsen, Karl I. Peterson and Professor Thomas Plenborg.

FINANCIAL REVIEW

Saxo Bank Group reported a net profit of DKK 81 million for 2012 as the anticipated growth in income and net profit did not materialise due to a subdued level of market activity. However, seen in the light of the continued low growth and uncertainty in the macro environment driven by the EU debt crisis, and considering the number of non-recurring costs associated with the restructuring carried out in November, the decrease from the net profit of DKK 618 million reported in 2011 was, although unsatisfactory, then explainable.

Saxo Bank's results are directly linked to the clients' trading activity, particularly in relation to FX volumes. Overall, FX volumes declined in 2012 compared with 2011. Within other product areas on the trading platform such as FX options, CFDs, stocks and futures, Saxo Bank saw an increase in the average monthly volumes traded compared to the same period last year.

Operating income reached DKK 2.97 billion for the Group in 2012, compared to DKK 3.53 billion in 2011. This 16% year-on-year decrease in operating income was mainly due to market volatility in most classes remaining subdued. Foreign exchange moved in tight ranges, with major currencies like the Swiss Franc and the JPY impacted by pegging to the EUR and Bank of Japan intervention respectively. This influenced clients' behaviour and reduced the profitability in 2012.

Operating costs for the year were DKK 2.51 billion for the Group, an increase of 1% from the previous year. The main component of the Group's costs is salaries and other personnel-related cost. Due to continuing subdued market activities, which were lower than the Group was calibrated to, it was decided in November to adjust the organisation and reduce the number of employees by more than 250. As a consequence of the general restructuring carried out, the run-rate cost level of the Bank was lowered to a level reflecting the market activity.

In connection with the restructuring, the Group incurred a number of non-recurring costs related to redundancy payments of approximately DKK 100 million. Furthermore,

DKK 19 million was expensed to cover the cost of vacated premises and other associated restructuring costs while a write-down of DKK 40 million is included under depreciation, amortisation and impairment of intangible and tangible assets.

Including the write-down, depreciation was DKK 381 million compared to DKK 220 million in 2011. This reflects the continued investments in product enhancements, which have enabled a range of new products and services to be introduced on the trading platforms.

Other losses on bad debt of DKK 40 million are estimated based on an individual assessment of the underlying receivables, which is in turn based on an assessment of the present weighted value of the most likely future cash flow from the receivable.

The effective tax rate for 2012 was 46.8%, up from 27.1% in 2011. This increase was due to impairment of deferred tax assets, change in the composition of taxable income between the countries in the Group as well as certain non-tax-deductible expenses.

Net profit of DKK 81 million was impacted by a number of non-recurring items, the net effect of which had a negative impact on the result.

STATEMENT OF FINANCIAL POSITION

Total assets decreased from DKK 27.0 billion to DKK 26.1 billion as of 31 December 2012.

Client cash deposits in the Group increased from DKK 14.9 billion to DKK 16.5 billion. The cash inflow from client cash deposits is placed in counterparty banks, bonds and other interest-bearing assets.

Clients' cash deposits underline the realised growth in clients' collateral deposits. Clients' collateral deposits related to the trading business, including all client collateral in Saxo Privatbank, increased 14% to DKK 40.2 billion as of 31 December 2012. In addition, Saxo Bank grew its assets

under management in Saxo Asset Management from DKK 33 billion to approximately DKK 49 billion as of 31 December 2012. Thus, total client collateral and assets under management increased from DKK 68.4 billion to DKK 89.1 billion.

Intangible assets increased from DKK 2.09 billion to DKK 2.27 billion. This mostly reflected continued investments in the platforms.

Subordinated debt decreased net from DKK 903 million in 2011 to DKK 872 million as of 31 December 2012 including hybrid capital of DKK 106 million and guaranteed capital of DKK 202 million.

Total shareholders' equity increased by 3.8% to DKK 3.36 billion in 2012, compared to DKK 3.24 billion at the end of 2011.

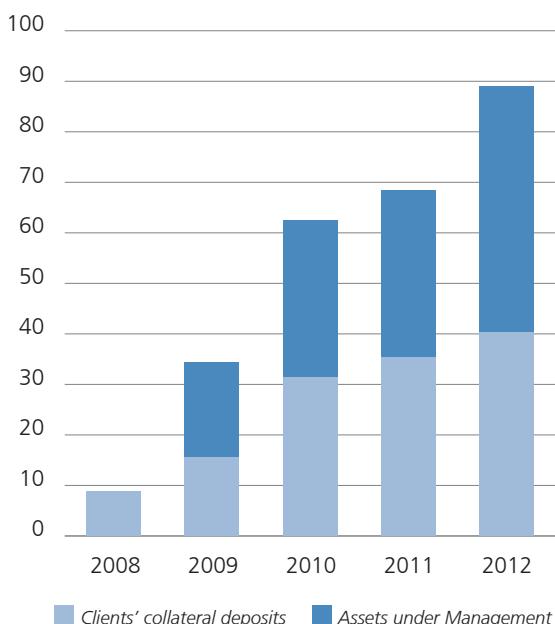
OUTLOOK 2013

Saxo Bank expects the slow recovery of the global economy to continue and prevail although with drawbacks during 2013. Investor confidence is expected to grow, with less risk aversion than has been seen in recent years. However, looking at the entire year, the Bank still finds the overall market situation uncertain and visibility remains low.

Saxo Bank expects to continue the ongoing development of its traditional trading business. The focus remains on clients, efficiency, profitability and optimisation of the entire value chain. Improvements of the on-boarding procedures and controls globally are planned.

Cost control and capital management are ongoing themes for Saxo Bank in 2013. With a close eye on the overall cost development, the Group will continue its investments in products and platforms. At the same time, system enhancements and knowledge upgrades are expected.

*Clients' collateral deposits and Assets under Management 2008-12
DKK millions*



Saxo Bank is confident that the Group has a solid foundation for its operations in 2013. In the absence of further increased negative external market influence, the Bank expects to create value for its stakeholders.

SOLVENCY & ICAAP

As of 31 December 2012, the solvency ratio for the Group was 13.5% after inclusion of net profit for the year, compared with 14.5% at the end of 2011. The decrease in the solvency ratio is mainly due to a reduction in the capital base. The risk weighted assets end of 2012 were slightly higher compared with end of 2011. The capital decrease is related to a greater increase in goodwill on acquisitions and investments in IT development than the increase in equity from profit. The risk weighted items increased due to the standard calculated operational risk and decreased due to reduction in market risk.

As of 31 December 2012, the Group's Internal Capital Adequacy Assessment Process (ICAAP) result showed a capital requirement of 10.42% of risk weighted items, equivalent to DKK 1.32 billion. Thus, with a capital base of DKK 1.71 billion, the capital buffer was DKK 394 million. The ICAAP result is determined in accordance with the Danish FSA's new Pillar I+ guideline, which became effective as of end 2012. The Group's Internal capital adequacy increased by more than DKK 150 million solely as a consequence of the new methodology for ICAAP.

The Group's ICAAP report is available at:
www.saxoworld.com/investorrelations.

In 2011, the EU Commission adopted a legislative package to strengthen the regulation of the banking sector. The proposal replaces the current Capital Requirements Directives with a Directive (CRD IV) and a regulation creating a

single set of harmonised prudential rules which banks throughout the EU must respect. The proposal sets new and enhanced capital, liquidity and leverage standards.

A final version of the CRD IV and the related regulation is expected to be implemented in 2013 and gradually over several years. However, no final date has been agreed upon.

Saxo Bank is monitoring the final regulation and interpretations closely and has taken action based on the draft capital adequacy requirement and proposal.

POST BALANCE SHEET EVENTS

No events occurring after the balance sheet date have had significant influence on the financial position of the Bank or the Group.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects are forward-looking statements. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict", "intend" or variations of these words, as well as other statements regarding matters that are not historical facts or regarding future events or prospects, constitute forward-looking statements. Saxo Bank has based these forward-looking statements on its current views with respect to future events a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and

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

GOVERNING TEXT

The annual report has been translated from Danish into English. The Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish version shall prevail.

OPERATIONAL REVIEW

Online multi-asset trading is the core business and the largest commercial activity of Saxo Bank. It comprises all trading and investment in financial instruments on the Bank's proprietary trading platforms, the SaxoTrader, SaxoWebTrader, SaxoMobileTrader and SaxoTrader apps, as well as third party trading applications supported by Saxo Bank's liquidity. Additional significant commercial activities include Saxo Privatbank's retail banking and private banking activities, including Sirius Asset Management which focuses on serving Saxo Privatbank's very high-end client segment.

ONLINE TRADING BUSINESS

Although nominal trading volume in the online trading business decreased compared to 2011, Saxo Bank attracted more than 12,000 new direct private clients in 2012. Furthermore, the value of all clients' collateral deposits continued the strong trend from previous years and increased from DKK 26.7 billion at year-end 2011 to a record level of DKK 33.3 billion at the end of 2012. The growth was not only a result of many new private clients but also of an increase in deposits from clients on-boarded by Saxo Bank's White Label business partners in many countries.

For Saxo Bank, the number of new clients and the development of clients' assets under management are important indicators of the Bank's competitiveness and its ability to generate future business and profits. Another important measure of activity is the trading velocity, i.e. the trading volume compared to the amount of assets under management. With a modest decrease in trading volume and a strong increase in assets under management, the trading velocity decreased in 2012, a development seen across the retail trading industry.

To ensure that the Bank's ability to attract clients and assets under management is also reflected in trading volumes, a number of new initiatives have been launched with a common goal of improving the client experience and making it easier and more interesting, satisfying, rewarding and fun to invest and trade the financial markets

on a Saxo Bank trading platform. Many of these initiatives, such as social trading features, will be introduced already in 2013.

Geographical expansion initiatives

In 2012, Saxo Bank continued the geographical expansion which has been a key strategic focus in recent years and has led to the opening of new offices in 14 countries in the past three years, bringing the number of countries with Saxo representation to 23.

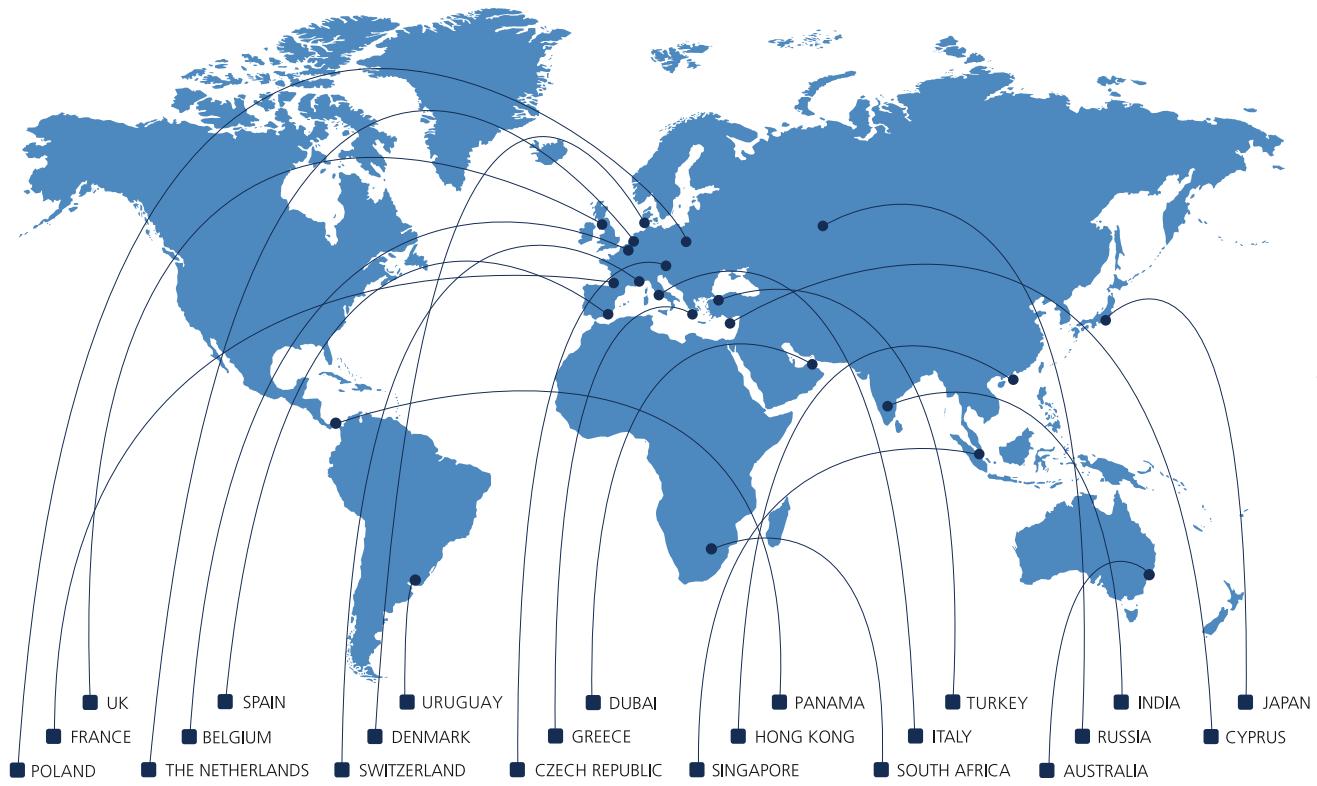
In January, Saxo Capital Markets (Australia) Pty Ltd was opened, following the acquisition of the broker company Logos Commodities Pty Ltd in 2011.

Also in January, Saxo Bank's new office in Madrid was inaugurated in order to establish a stronger local operational footprint for the Iberian Peninsula.

In March, Saxo Capital Markets South Africa was made fully operational and able to support the growing demand for multi-asset trading in Africa. The Johannesburg office signed a number of institutional and White Label clients in 2012, including the Standard Bank of South Africa, the largest African bank by assets and earnings. The office will explore further opportunities for Saxo Bank in sub-Saharan Africa in 2013.

In April, Saxo Bank opened an office in Limassol, Cyprus, comprising the Bank's regional management, sales and client support for Central and Eastern Europe.

In September, Saxo Bank Warsaw was launched in Poland, and in October, Saxo Capital Markets, Agente de Valores, opened in Uruguay, following the acquisition of NVN Securities Valores, a fully-licensed offshore Uruguayan broker. The Montevideo office is aimed at servicing our retail business across Latin America. In addition, Saxo Bank continued its expansion into Eastern Europe with the opening of Saxo Capital Markets Menkul Değerler in Turkey, after it acquired 89.5% of local broker Değer Menkul Değerler.



Extending Saxo Bank's reach into mainland China was another focus in 2012. The Hong Kong office was reorganised into two distinct business units to handle onshore and offshore business separately, while a Chinese-language service desk was added in Singapore, supporting the delivery of improved levels of personal client service to Chinese-speaking customers. The competitiveness of Saxo Bank's offering to mainland China clients was also supported by the implementation of a new internet data transmission service which effectively improves the performance of our trading platforms in China.

In January 2012, Saxo Bank started to on-board clients in the UK through its UK subsidiary Saxo Capital Markets (UK), which obtained its license in 2011. Previously, Saxo Bank operated in the UK through a branch of Saxo Bank A/S.

Client experience initiatives

In October, Saxo Bank established a new Client Office department to further develop new products and services for clients, and redefine the entire trading experience in terms of platforms, content, mobility and tools. The Client Office is thus responsible for global marketing initiatives, social media activities, education, client engagement initiatives, product management and trading platform development.

Together with the sales organisation in Commercial Group and the Markets department, a key priority for the Client Office is to ensure that the entire Saxo value chain works effectively in creating financial value from new development projects in connection with and after commercial launch, providing the best digital platform experience possible.

Product development

During 2012, Saxo Bank continued to add new exchanges in support of the Bank's geographical expansion. In February, stocks from the Athens Stock Exchange were added to the trading platform. Hungarian Single Stock CFDs on the Budapest Stock Exchange were launched in May, and Czech stocks on the Prague Stock Exchange were added in June. South African stocks and CFDs were made available to all clients during the first half of the year, and in August, we launched Turkish Single Stock CFDs on the Istanbul Stock Exchange for offshore clients.

In February 2012, we expanded our derivatives offering with the commercial launch of Contract Options on stock indices, commodities, bonds, currencies and rates. Later in the year, Contract Options were rolled out on our mobile apps, enabling clients to trade nearly 90 Contract Options on iOS and Android smartphones as well as the iPad.

Forex CFDs were launched in March, including six FX currency crosses and a USD index CFD. Forex CFDs track an underlying futures contract, but feature lower margin requirements and smaller trade sizes. Two new Index-tracking CFDs, the US 2000 CFD and the US Volatility Index CFD, were also added this year.

Other new products included Futures contracts for French and Spanish government bonds, as well as additional Forex metal spot crosses in Platinum and Palladium trading against the US dollar. In October, CFDs on government bonds were launched, providing retail investors access to a product previously available only for institutional trading.

Platform Development

Mobile platforms

In February, SaxoTrader apps for iOS and Android were launched, allowing clients to access their accounts, manage orders and trade Saxo Bank products from their iPhone or Android smartphones. The apps were rapidly adopted by clients, and in April an upgrade added streaming FX spot prices.

During the summer, a dedicated iPad version of the app was launched, designed to take advantage of the popular tablet's larger screen size. The new mobile trading applications have led to more than a doubling of our mobile trading volume in 2012 compared to the previous year.

In November, Request for Quote (RFQ) facilities were added to the mobile platforms for a range of FX products, enabling clients to request a quote from a dealer on larger trade sizes.

Desktop and web platforms

Our SaxoTrader and SaxoWebTrader platforms also received several enhancements in 2012, including a new trade ticket with enhanced functionality. All products can now be traded through a single ticket, thereby simplifying the platforms.

In October, new charts with enhanced functionalities were launched on the platforms. The new charts provide trading and order management directly from the chart, faster price updates and enhanced technical studies.

Algorithmic orders were introduced for the SaxoTrader in November. The new order types include Iceberg, Reload, Implementation Shortfall, With Volume, VWAP and SmartDark.

Also in November, we launched our own trading keypad designed for seamless integration with the SaxoTrader platform. The keypad enables users to increase their trading effectiveness with a number of pre-defined and programmable hot keys.

MT4 development

In 2012, Saxo Bank launched the MetaTrader 4 platform through two subsidiaries. The primary offering was launched through Saxo Capital Markets CY Ltd, a fully-owned subsidiary broker based in Cyprus. Additionally, the platform was launched through Saxo Banque, our French subsidiary.

TradingFloor.com

Saxo Bank's social financial market information, education and analysis portal, TradingFloor.com, was launched in 2009.

During 2012, a range of projects were initiated to further develop TradingFloor.com into a financial investment community that provides market information, education and tools to visitors, members and Saxo Bank clients. Such information includes calendar events, news, market comments, technical analysis and trading ideas. Currently, TradingFloor has more than 10,000 members and continues to grow quickly, attracting more than 40,000 unique visitors each month.

In February 2012, TradingFloor.com received a major upgrade which added enhanced social features allowing users to share ideas, comment on articles and follow their favourite TradingFloor analysts.

A number of proprietary tools have been added to TradingFloor.com throughout 2012, including a new financial calendar covering major global macroeconomic, corporate and geopolitical events.

The FX Open Orders module, launched in June, provides a snapshot of Saxo Bank clients' aggregated FX open orders on ten major currency pairs and is designed to promote transparency in the Forex market.

In addition, a new "Train Your Brain" section utilises games, surveys and other methods to allow community members to understand and improve their trading behaviour.

Sala de Inversión

2012 has seen a number of positive changes for Sala de Inversión, Saxo Bank's Spanish-language news and market analysis portal. A newly-designed version of the site was launched, aimed at making Sala de Inversión one of the leading niche sites in the Latin markets. A new content strategy has also been implemented, with Saxo Bank creating more proprietary content optimised to meet local traders' needs. These developments have resulted in a sig-

nificant increase in visits, page views and leads for both Saxo Bank and our institutional clients. More new features are planned for 2013.

Euroinvestor

Euroinvestor, a Danish listed company, is one of the largest online investor communities in Europe. Saxo Bank acquired a majority stake in Euroinvestor in 2011.

A major event in 2012 for Euroinvestor was the launch of a new trading competition concept "Bull Street Inc." with the first trial game taking place in Denmark. The competition attracted a significant number of new users to Euroinvestor as well as potential new clients to Saxo Bank.

Established in 2011, Euroinvestor's English language portal has now reached more than 100,000 unique monthly visitors. Toward the end of 2012, Euroinvestor began offering users the opportunity to subscribe to Saxo Bank's equity research through its web shop for investors' tools.

Other Social Media

Saxo Bank maintains an active presence across leading social media sites, including Facebook, Twitter and LinkedIn, and in 2012 our social media presence increased significantly.

Saxo Bank reached more than 43,000 Twitter users daily across all of our Twitter accounts while our global Facebook site has over 48,000 followers. Saxo Bank is also present on the professional networking site LinkedIn, where we have over 4,500 followers.

Saxo Bank's use of social media tools was recognised in February 2012 at the ceremony of the Social Forex Awards 2011, where we won in four categories, including Most Social Bank, Best Social Campaign, Best Social Initiative/Innovation and Best Social Research. The Social Forex Awards are voted by members of the LetstalkFX.com community.

Institutional business

Saxo Bank's institutional business serves the needs of White Label clients, Asset Managers and hedge funds, In-

troducing Brokers and Financial Institutions for trading and managing exposure to global capital markets, as well as providing multi-channel liquidity via API.

A significant new distribution channel was added as we consolidated our multi-asset API business under the Saxo Direct offering. Since its launch in early 2012, Saxo Direct has developed into a substantial contributor to daily trading volume, now often exceeding EUR 3 billion per day. In December 2012, we announced an increase in monthly average FX volumes on Saxo Direct of nearly 600% compared to the launch.

Saxo Bank's White Label solution is a complete solution for banks and other financial institutions that want to provide a leading-edge multi-asset online platform for trading and investment to their clients, without having to undertake large and costly development projects.

The strong competitiveness of our White Label solution was again confirmed in 2012 when a number of new White Label clients were on-boarded in several regions including Asia-Pacific, Western Europe, Switzerland and the Middle East. At the end of 2012, Saxo Bank's Japanese entity entered into an agreement to take over one of its existing White Label clients' business, a transaction expected to increase the Bank's assets under management in Japan significantly.

While new clients are joining, we also continue to work closely with our long-term White Label clients to support efforts aimed at increasing the appeal and reach of their offerings.

The Introducing Broker and Asset Manager segments both recorded solid growth. In particular, small and medium-sized Asset Managers benefit from a cost-efficient platform offering, cross-product collateral, and support on trading, margining and reporting.

To better cater to the needs of Asset Managers trading on behalf of their clients, Saxo Bank launched a number of improvements to its offering. The new offering comprises

improved reporting and options to structure the Asset Manager's incentive package in a way that links the remuneration to the investment performance. This particular client segment holds substantial business potential as our multi-asset trading platform combined with tailor-made reporting and back-office support is seen as a highly-competitive solution for Asset Managers as well as financial advisors in today's market. Therefore, we will continue to invest in platforms, products and services targeting this client segment, which is managing a substantial share of the world's privately held wealth.

In December, a new Institutional website was launched to target Institutional clients and their needs. The site aims to ensure a consistent articulation of Saxo Bank's value proposition towards each of the Institutional client segments.

Corporate FX

While Saxo Bank's FX business has traditionally been focused on serving private traders and financial institutions, a number of corporate clients were on-boarded in 2012. These clients need to manage their currency exposure and international currency payments in a cost-efficient way. Saxo Bank's offering to this segment is gradually being improved to not only provide significant savings on currency conversions but also meet the operational requirements of seamless integration with the clients' own cash management systems. An automatic and sufficiently cost-efficient solution is currently being developed, and the initial experience from working with the segment is promising, as the user-friendliness of Saxo Bank's trading platform and the cost savings obtained by the clients constitute a strong competitive solution, and the segment is expected to represent significant business potential for the Bank.

Awards

Saxo Bank's continued focus on its platforms and services led to a number of industry awards throughout 2012.

At the World Finance 2012 Foreign Exchange Awards, Saxo Bank won the "Best Mobile Trading Platform" award for its new SaxoTrader for iPhone and Android app, and was also named "Best White Label Solution Provider" for

a second year in a row. The annual World Finance Awards are chosen by a panel of independent industry experts.

In addition, Saxo Bank was named "Best Online Futures and Options Provider" at the MoneyAM Awards 2012, and in July we won "Best Retail Platform" and "Best FX White Label Liquidity Service" at the prestigious ninth annual e-FX Awards, sponsored by FX Week Magazine.

Saxo Bank won the "Best FX Platform" award at the Banker Middle East Product Awards 2012, which spotlight "best in class" products and services from banks in the Gulf region.

As stated in the "Other Social Media" section on page 16, Saxo Bank also won four awards at the Social Forex Awards 2011 ceremony in London in February 2012.

SAXO PRIVATBANK

With a new strategy to focus solely on Danish clients and offer a full palette of private banking, investment of pensions and free funds, as well as asset management, Saxo Privatbank executed a number of initiatives during 2012 to prepare for growth in the coming years.

In July and September, non-Danish clients were transferred to other Nordic banks and associated services terminated, while in June, Saxo Privatbank merged the activities of Fondsmæglerselskabet Sirius Kapitalforvaltning into the bank to better cater for the most wealthy clients.

Saxo Privatbank launched a new website in October covering all of its activities, including banking, investment and savings, and asset management. In the same month, all branches of Brørup Sparekasse were re-branded as Saxo Privatbank branches.

The total value of cash deposits and investments by clients of Saxo Privatbank amounted to DKK 24.5 billion by the end of 2012. Of this amount, DKK 14.7 billion was investments managed by Sirius on behalf of clients, while DKK 6.9 billion was clients' direct investments in securities, with

the remaining DKK 2.9 billion representing clients' cash deposits with the bank. The total balance of loans outstanding amounted to DKK 1.6 billion.

MODERN WEALTH MANAGEMENT

Following its commercial launch in the UK in March 2012, the focus for Modern Wealth Management has been on building a market presence and attracting the target client segment of affluent long-term self-directed investors. The number of clients and the amount of assets generated by the MWM initiative have not yet fulfilled initial expectations, and the concept of building and maintaining a separate platform has proven not to be a financially-viable solution. Therefore, to better serve this segment in a cost-efficient way, Saxo Bank instead expects to add products and functionalities to its core trading platforms that will make the SaxoTrader a better solution for self-investing clients, not only in the UK but on a global basis. This will allow Saxo Bank to focus its development and maintenance resources on its main trading platforms. As a result, and despite the significant amounts invested in this project, the separate platform currently used specifically for Modern Wealth Management in the UK will be phased out. Consequently, the assets relating to the development of the project have been written down in the accounts for 2012.

ASSET MANAGEMENT

The activities comprised by Saxo Asset Management saw a positive development during 2012. As part of the strategic redirection towards its core multi-asset trading and investment activities, Saxo Bank is currently in the process of reducing its engagement in the asset management companies Copenhagen Capital, Capital Four and Global Evolution. In addition to these three companies, Saxo Asset Management also comprised Sirius Kapitalforvaltning, which was merged into Saxo Privatbank in 2012.

SAXO PROPERTIES

On behalf of investors, Saxo Properties managed acquisitions of 25 properties during 2012 at a total purchase

price of DKK 1.8 billion and took over administration of a further 32 properties during the year, whereby total property value under management at year end amounted to DKK 3.15 billion, comprising 59 properties predominantly located in Greater Copenhagen.

In December 2012, Co-CEOs Eric Rylberg and Karsten Poulsen entered into an agreement with the Bank to buy

out Saxo Properties A/S. For Saxo Bank, this transaction represents a natural step as the real estate investment activities are not considered part of the Bank's future core business focusing on multi-asset trading and investment. The closing of the transaction is expected in April 2013.

2012 MILESTONES

JANUARY: Saxo Capital Markets (Australia) launches retail operations in Australia with the opening of its office in Sydney.

FEBRUARY: Saxo Bank expands its derivatives offering with the commercial launch of Contract Options on futures and stock indices.

Saxo Bank's "World Class Trading, Anytime, Anywhere" advertising campaign is launched, featuring the world's first BASE jumping FX trade.

Saxo Bank wins four awards at the inaugural Social Forex Awards in London.

SaxoTrader for iPhone and Android is launched, becoming the most rapidly-adopted platform in the Bank's history.

MARCH: Saxo Capital Markets South Africa is opened to meet growing demand for multi-asset trading in the region.

Saxo Bank launches the MT4 trading platform through Saxo Capital Markets CY Ltd, a fully-owned subsidiary broker based in Cyprus.

Modern Wealth Management is launched commercially in the UK for self-directed private investors.

APRIL: TradingFloor.com, Saxo Bank's trading community site, launches an interactive Forex correlations tool.

Saxo Bank wins "Best Mobile Trading Platform" and "Best White Label Solution Provider" at the 2012 World Finance FX Awards.

Saxo Bank opens a new office in Cyprus, comprising the Bank's regional management, sales and support for Central and Eastern Europe.

MAY: Together with the Consortium for Global Talent, Saxo Bank hosts the conference "Det Globale Danmark", attended by the Danish Crown Princess Mary.

Saxo Bank's Board of Directors elects Dennis Malamatinas as the new Chairman of the Board.





JUNE: TradingFloor.com adds an FX Open Orders module to its suite of free online trading tools.

Saxo Bank announces that it will prolong its sponsorship with Riis Cycling through 2013, as Tinkoff Bank joins as co-title sponsor. The cycling team's new name is Team Saxo-Tinkoff.

Saxo Bank is named "Best Online Futures and Options Provider" at the 2012 MoneyAM Awards.

JULY: At the e-FX Awards 2012, hosted by FX Week, Saxo Bank wins "Best Retail Platform" and "Best FX White Label Liquidity Service".

AUGUST: Saxo Bank launches SaxoTrader for iPad.

SEPTEMBER: Saxo Bank celebrates its twentieth anniversary in Cairo.

Saxo Bank opens an office in Warsaw to provide Polish investors with access to global financial markets.

OCTOBER: Saxo Bank acquires a Uruguayan broker to extend its footprint to Latin America.

A Historic Spreads tool is launched on Saxobank.com, providing a view of the Bank's average spreads over a historical time period.

New charts with enhanced functionalities are introduced on Saxo Bank's trading platforms.

NOVEMBER: Saxo Bank releases its own trading keypad optimised for the SaxoTrader platform.

DECEMBER: Co-CEOs Eric Rylberg and Karsten Poulsen step down in connection with their buy-out of Saxo Properties.

Founders and co-CEOs Lars Seier Christensen and Kim Fournais assume direct daily management control with a renewed focus on core business areas and competences.

THE BUSINESS OF SAXO BANK

SAXO BANK'S BUSINESS MODEL

Saxo Bank is an online investment bank, focusing on trading in global capital markets, including FX, equities, commodities, energy, precious metals, ETFs etc. The FX product range comprises spot FX, forwards, options, binary touch options and CFDs on FX. Equities are traded in the form of cash stocks, CFDs on single stocks, CFDs on stock indices, exchange traded Contract Options, ETFs (Exchange Traded Funds) and ETCs (Exchange Traded Commodities). Commodities are traded in the form of Futures, CFDs and Contract Options.

The above products are all traded on Saxo Bank's proprietary online trading platform, available in several versions to fit different client preferences and different types of hardware and technologies. These versions include the downloadable SaxoTrader, which is the most-used by clients, the web-based SaxoWebTrader and the MobileTrader accessible by iPhones, iPads and Android phones and tablets. In addition to the online traded products, Saxo

Bank supports offline trading in a wide range of fixed income products, including Sovereign bonds, Government bonds, Corporate bonds and Mortgage bonds.

FX, CFDs and futures are typically traded on margin, meaning that clients are allowed to enter into nominal investments/positions that exceed the value of the clients' deposits with Saxo Bank. To facilitate clients' trading in margin products, Saxo Bank allows clients to use cash deposits, stocks and bonds as collateral.

Headquartered in Copenhagen, Denmark, Saxo Bank has a strong international network with local offices in 23 countries across Europe, Asia, Australia, South America and Africa. Through our local sales and service organisation and global online presence, Saxo Bank serves clients in more than 180 countries, and our trading platforms are available in over 20 different languages.



The majority of the Bank's direct clients are private individuals. In addition to its direct private clients, Saxo Bank also provides trading services to clients of other banks and brokers who are offering rebranded versions of Saxo Bank's trading platform to their clients and in their own name. Such banks and brokers, referred to as White Label Clients, represents approximately 50% of all clients onboarded by Saxo Bank.

Saxo Bank also serves other companies in the financial and corporate sectors, including other banks, brokers, asset managers, hedge funds, pension funds, money managers, independent financial advisors and wealth management banks, all characterised by trading in global financial products being an important part of their own business model.

ONLINE TRADING PLATFORMS AND SERVICES

Saxo Bank maintains a broad range of assets, products and instruments on the trading platforms. Clients can trade more than 160 currency crosses, over 8,000 CFDs (Contracts for Difference), more than 14,500 listed stocks from exchanges around the world, futures, FX options, contract options, ETFs and ETCs.

To facilitate online trading in FX products on its trading platforms, Saxo Bank obtains liquidity from more than ten Tier-One banks. This liquidity enables Saxo Bank to stream prices to its clients and execute transactions. For cash stocks, liquidity is provided through links to over 30 of the world's main stock exchanges, while liquidity in other products is established through bilateral trading agreements with market makers in the respective products.

In addition to prices and spreads, the trading platforms provide clients with access to real-time market news and analysis from recognised newswires such as Dow Jones Newswires, Reuters etc. Clients also have access to real-time charts, risk management tools, educational resources and other tools.



In order to provide a great trading experience to our clients, Saxo Bank has developed a range of features and services, including market news, financial calendar, membership in the trading community TradingFloor, etc.

Clients new to the markets often seek trading education, and to meet this need we offer an educational programme, TradeMentor, available on the trading platform and on [TradingFloor.com](#). The training is optimised for use with the Bank's free demo account, which enables a potential client to simulate trading across all available financial instruments.

More information on Saxo Bank's platforms and products can be found online at [www.saxobank.com](#).

INSTITUTIONAL BUSINESS

Saxo Bank enables institutional clients and their end customers to trade multiple assets via one account accessible from multiple devices or an API connection.

With our aggregated liquidity from Tier-One banks and access to over 80 trading venues across the globe, Saxo Bank's clients benefit from real-time prices, precision execution and competitive commissions and fees. Saxo Bank serves five key institutional client segments, including White Labels, Asset Managers, Introducing Brokers, Financial Institutions and API clients via Saxo Direct.

White Label

White Labels offer Saxo Bank's award winning trading platforms under their own brand, maintaining full customer ownership and confidentiality. A White Label solution is a fast and cost-effective way for a bank or broker to offer an online trading platform to their customers.

Under the White Label concept, Saxo Bank handles the operation, post-trade processing, online risk management and the entire back-end system, thereby enabling the White Label to focus on client service and acquisition.

Asset Managers and Introducing Brokers

Saxo Bank enables Asset Managers and Introducing Brokers to manage their trading activities with clients on the Bank's online platform. In addition to facilitating financial market trading, the Bank supports easy client on-boarding, and provides trade allocations as well as reporting tools.

Financial Institutions

Saxo Bank's trading platform is built with advanced functionality and institutional-grade capabilities suited for the

hedging and proprietary trading needs of corporations, banks and broker-dealers.

API Saxo Direct

In early 2012, the Bank launched an advanced API offering under the name of Saxo Direct. The API solution provides access to Saxo Bank's own multi-asset liquidity. Retail aggregators and Asset Managers benefit from competitive spreads for a range of assets, including FX, CFDs (Indices and Commodities), CFD DMA, Stocks and Futures.

For more information on Saxo Bank's Institutional Business, see www.institutional.saxobank.com.

SAXO PRIVATBANK

In addition to offering the full package of Saxo Bank's global products and services, Saxo Privatbank focuses on the development of traditional banking and pension products for the Danish market with the emphasis on advanced investment solutions. With the addition of Sirius Asset Management, the focus on the top segment of investors, defined as High Net Worth individuals and institutional investors, has been further strengthened.

For more information on Saxo Privatbank, see www.saxoprivatbank.dk.

CAPITAL MANAGEMENT

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 Capital Requirement Directive's Pillar I and Pillar II, where Pillar I contains a set of rules for calculating the capital requirement and Pillar II describes the framework for the Group's Internal Capital Adequacy Assessment Process and the supervisory review.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) has four steps as described below.

PILLAR I, CAPITAL REQUIREMENTS USING CRD

This first step in assessing the Group's adequate capital level is to calculate the minimum capital requirement using the Capital Requirements Directive, Pillar I. The Group uses the following methods to calculate risk-weighted assets for the three types of risks: Credit risk (standard method), Market risk (standard method) and Operational risk (basic indicator method).

PILLAR II, RISK SELF-ASSESSMENT USING A QUANTITATIVE APPROACH

The second step is to assess the risks to which the Group is exposed in a quantitative approach. Different risk types are examined and split into major risk categories. Different methods are applied to assess the Group's capital need in each category.

Credit risk

To assess the credit risk to which the Group is exposed, the different counterparty types are examined and then the outstanding counterparty risk defined based on the underlying business activity. The risk within online trading and investment and other investment services within capital markets is assessed using impact and likelihood based on empirical data and credit ratings wherever applicable. In a similar fashion, the credit risk is determined on outstanding credit lines and accepted bank guarantees. Using this input, a portfolio credit risk model is employed using a Monte Carlo simulation, running one million sce-

narios with an assumed 30% event correlation. This yields the loss distribution due to credit risk. The Group uses expected shortfall (average of events greater than value-at-risk) with a 99.9% confidence level.

Furthermore, credit risk outside the traded portfolio, including domicile buildings, tangible assets and off-balance sheet items, is added using the standard method under the CRD. Subsidiaries offering professional portfolio, fund and asset management or classic bank services are included using their respective individual capital adequacy numbers using a CRD or LOPI-based model. These are aggregated at a group level using simple addition, without taking diversification effects into account.

Market risk

Market risk within online trading and investment and other investment services within capital markets is determined using the internal market risk model of the Group. The model employs full diversification effects implied by risk factors within the traded portfolio. Interest risk outside the traded portfolio is determined by stressing the interest curve one percentage point and then evaluating the impact. Market risks from portfolio, fund and asset management or classic bank services are included using their respective individual capital adequacy numbers using a CRD-based model.

Operational risk

The risk from the Group's operations, including compliance and legal risk within online trading and investment and other investment services within capital markets, is assessed through an interview process with the applicable stakeholders. In addition, the Group integrates external risk events into its risk management program in order to determine potential risk factors and to challenge the Group's risk overview. The risks are analysed using the derived scenarios and the same simulation model as described under credit risk.

Business risk

Business risk is defined as impacts to the future ability to generate earnings. A number of unfavourable scenarios are generated, and these are tested against the budgeted

income for the coming year. If these are not covered by the expected income, capital is explicitly set aside.

Liquidity risk

Liquidity risk is determined as the increased cost of raising capital in an illiquid market. The Group determines the liquidity risk based on scenarios with a liquidity shortfall within the Group. Liquidity risk is covered by the budgeted income. If the income is not sufficient, capital is explicitly set aside.

Buffer

The Group includes a buffer to incorporate additional capital requirements identified, but not covered by the previous assessment. Furthermore, a general buffer is added as a conservative measure.

PILLAR II, STRESS TESTING USING A SCENARIO-BASED APPROACH

The third step in the ICAAP estimates the capital and earnings effects of stress test scenarios regardless of the previous capital adequacy levels. Stress scenarios are developed on the basis of the Group's risk register. One or more stress scenarios are made in the major risk categories, consisting of one or more events from the register in the applicable risk category. Furthermore, the Group uses a number of combined stress scenarios, combining multiple events across risk categories. One of the combined events entails a highly unlikely chain of events in order to ensure the utmost degree of stress. Where applicable, the stress test also takes account of insurance coverage.

CAPITAL ADEQUACY DETERMINATION

To determine the appropriate level of capital, and in accordance with the Danish FSA's Pillar I+ guideline, Pillar I and Pillar II results are compared specifically for Credit-, Market- and Operational- risks. The largest yielded capital requirement for each category is used as the minimum capital adequacy requirement. Additional capital requirements for Business and Liquidity risks are determined as assessed under Pillar II. Finally the individual categories are added together to derive the overall capital requirement.

In turn, the overall level is compared to the outcome of the various stress scenarios described under the third step, to ensure that the determined capital level is adequate. To define the minimum solvency level as a percentage, the overall capital requirement is compared with the risk-weighted assets calculated under Pillar I.

CAPITAL PLANNING

Part of the ICAAP involves planning future capital needs in relation to the business environment, growth and strategic plans in the years to come. Potential major changes to the risk profile and thereby future solvency needs are estimated using the ICAAP. These could be changes in the business strategy or competitive landscape, significant increases in traded volumes, fundamental changes in market conditions, changes in the internal organisation, M&A activity, material changes in regulatory requirements or introductions of new products. This input is used in the strategic decision-making process by the Board of Directors and the Board of Management. Furthermore, the results of the stress testing scenarios under pillar II are used as input to the capital contingency plan. The financial consequences following the various scenarios and potential management actions are estimated, and revised should the estimated net financial consequences bring the Group below the required minimum capital level.

A full ICAAP is performed as often as required, but at least once a year. Capital adequacy levels are updated and published on the Group's website and reported to the Danish FSA on a quarterly basis.

LIQUIDITY

The Group has an inherent high level of liquidity. This is primarily due to Saxo Bank's business model where clients who use Saxo Bank trading platforms provide deposits etc. as collateral. Saxo Bank places these deposits in liquid assets such as deposit accounts and short-term bonds. As of 31 December 2012, the regulatory liquidity requirement for the Group was DKK 3.81 billion. The Group's liquidity to cover this requirement was DKK 12.03 billion.

RISK FACTORS

The various risks that Saxo Bank is exposed to are actively monitored. The Bank strives to mitigate those risks that the Bank has influence upon in order to ensure that risks are within the Bank's risk appetite. In addition, the Bank is subject to external events beyond its control, e.g. acts of terror, political intervention, meltdown of the financial markets, changes in technology or other rare and unpredictable exogenous events. The Bank strives to be observant and responsive to changes in the external environment. Nevertheless, there can be no assurance this will prove to be sufficient, as actual developments may differ significantly from the Bank's expectations.

Some of the risk factors which may adversely affect the Bank's future growth, activities, financial position and results are described below. This is not an exhaustive description of the risk factors to which the Bank is subject, nor are these factors listed in any order of priority.

BUSINESS RISK

The competitive environment

Technology spreads out, making it easier to replicate existing trading platforms and enabling newcomers to start up at low cost. As a result, many low-cost players have been attracted to the market place. Consequently, these newcomers may lead to increased price competition, which could have a material adverse impact on the Bank. Although the Bank seeks to differentiate its offerings from its competitors and enter into new markets broadening its product offerings, it may not be successful in reducing the effects of increased competition. Thus, the increased competition may decrease the Bank's revenue or margins and thereby have a material adverse effect on the Bank.

The regulatory environment

Although the Bank continuously monitors and accommodates regulatory changes, it cannot be ruled out that the Bank might fail to adhere to certain regulations. The Bank's failure to comply with applicable regulations could result in substantial costs, losses and other negative consequences such as revocation of license(s).

Furthermore, new regulations could potentially constrain the Bank's ability to provide products and services to its clients or may increase the costs of providing such products and services.

Deleveraging

The Bank believes that the potential growth in demand for its products generally correlates with trending markets and a certain level of market volatility as well as the general economic conditions. Thus, the demand for the Bank's products is subject to changes in market conditions as well as clients' attitude towards risk and other factors beyond the Bank's control. Periods of low risk appetite mean lower activity and reduced demand for the Bank's margin-related products, which may have a material adverse effect on the Bank's results and financial position.

International operations

The Bank operates in various countries and pursues a decentralised decision-making authority based on guidelines established by the parent company. Although the Bank has various control systems in place in order to monitor decentralised business units, these might not prove sufficient to ensure that local managers adhere to all guidelines and local regulations and therefore, it cannot be ruled out that the Bank could experience an incident that may have a material adverse effect on the Bank.

OPERATIONAL RISK

Business disruption

The Bank is highly dependent on the continuous operation of its IT infrastructure. Therefore, system failures could impact the Bank's services to its clients or critical internal business processes. For example, the complete loss of the IT infrastructure means that the Bank and its clients are unable to see their exposures as well as execute trades electronically, which during market turmoil could result in material losses. Consequently, a system outage may have a severe financial and reputational impact on the Bank. Furthermore, in a catastrophic event such as a global pandemic or severe fire, a large proportion of staff might not

be able to carry out their daily duties. As a result, the Bank might be adversely affected.

Although the Bank has contingency plans in place that cover the above-mentioned situations and these are regularly reviewed and challenged, there can be no assurance that the contingency plans will prove to be sufficient, as actual developments might differ significantly from what is accounted for in the plans.

Third parties

Saxo Bank relies on outsourced service providers to perform certain functions. These service providers also face technology and operating risks, and any significant failures by them could disrupt the Bank's operations and thus cause Saxo Bank to incur losses and harm the Bank's reputation.

Security risk

Cyber-attacks on financial institutions are increasing and becoming more sophisticated and targeted than ever before.

As with any other business solution, the Bank's trading infrastructure might be exploited or misused by cyber criminals. Despite the fact that the Bank has taken steps to protect its infrastructure, the Bank might still be vulnerable to sophisticated and targeted attacks. Consequently, emerging threats could harm the Bank and its clients, which might affect the Bank financially or harm its reputation.

CREDIT RISK

The Bank incurs credit risks in relation to its brokerage operations.

Credit risks sustained from retail and small institutional clients derive from the possibility that posted collateral may not offset sustained deficits. In response, the Bank uses a near real-time monitoring system, which can notify and intervene immediately.

The Bank also faces credit risks from liquidity providers, financial brokers and counterparties. The counterparty default risk from this category of counterparty constitutes one of the largest single credit risks there is. In acknowledgement of the severity of the risk, the Bank only operates with regulated counterparties with high credit ratings.

Furthermore, the Bank incurs credit risk in relation to its retail banking activities. The granting of a credit facility is based on the Bank's insight into the client's financial position. As part of this process, the Bank strives to ensure that each facility matches the credit quality and financial position of the client.

A common factor of the various credit risks in which the Bank has become engaged, is that the risk stems from adverse market movements or severe changes in macroeconomic and financial factors, all of which are beyond the Bank's influence. Despite measures taken within credit risk management, the Bank may experience losses that may have a material adverse effect on the Bank.

MARKET RISK

As part of offering competitive prices, the main role of the Bank's trading function is to optimise the trading flow i.e. determine the timing of covering the risk in the market.

Consequently, in case of, for example, significant adverse movements in the foreign exchange, equity, commodity or interest rate markets or other external events outside the Bank's control, these exposures may have a material adverse effect on the Bank in spite of the fact that the Bank monitors market exposures and losses closely intra-day. In addition, it cannot be ruled out that staff engaged in decisions regarding the optimisation of the flow could mis-judge the situation, or otherwise take decisions that end up having a material negative impact on the Bank's financial position.

FINANCIAL STATEMENTS

CONTENTS FINANCIAL STATEMENTS

FINANCIAL STATEMENTS – SAXO BANK GROUP

- 32** | Income Statement
- 33** | Statement of Comprehensive Income
- 34** | Statement of Financial Position
- 36** | Statement of Changes in Equity
- 38** | Statement of Capital Base
- 39** | Cash Flow Statement
- 40** | Notes
 - 40** | 1 Accounting policies
 - 47** | 2 Critical accounting estimates and judgements
 - 48** | 3 Interest income
 - 48** | 4 Interest expense
 - 48** | 5 Fee and commission income
 - 48** | 6 Fee and commission expense
 - 49** | 7 Price and exchange rate adjustments
 - 49** | 8 Other income
 - 49** | 9 Staff costs and administrative expenses
 - 52** | 10 Share-based payments
 - 53** | 11 Audit fees
 - 53** | 12 Impairment charges for receivables, loans, advances etc.
 - 53** | 13 Tax
 - 54** | 14 Receivables from credit institutions and central banks
 - 55** | 15 Trading assets and liabilities
 - 55** | 16 Loans and advances at amortised cost
 - 55** | 17 Investment securities
 - 55** | 18 Assets held for sale
 - 56** | 19 Investments in associates and joint ventures
 - 57** | 20 Investments in joint ventures
 - 58** | 21 Intangible assets
 - 60** | 22 Impairment test
 - 61** | 23 Investment properties
 - 62** | 24 Tangible assets
 - 64** | 25 Deferred tax assets and deferred tax liabilities
 - 65** | 26 Other assets
 - 66** | 27 Debt to credit institutions and central banks
 - 66** | 28 Deposits
 - 66** | 29 Issued bonds at amortised cost
 - 67** | 30 Provisions
 - 68** | 31 Subordinated debt
 - 69** | 32 Share capital
 - 70** | 33 Expected due dates
 - 71** | 34 Contractual due dates

- 72** | 35 Acquisition of businesses
- 74** | 36 Transactions with non-controlling interests
- 75** | 37 Accounting classifications and fair values (financial assets and liabilities)
- 77** | 38 Hedge accounting
- 78** | 39 Operational leasing
- 78** | 40 Related parties
- 79** | 41 Assets deposited as collateral
- 79** | 42 Contingent and other contractual commitments
- 80** | 43 Group subsidiaries
- 81** | Risk Management – Saxo Bank Group
- 81** | Credit risk
- 93** | Market risk
- 99** | Liquidity risk
- 100** | Operational risk
- 101** | Capital base
- 102** | Key figures and ratios – Saxo Bank Group
- 103** | Definitions of key figures and ratios

FINANCIAL STATEMENTS OF THE PARENT COMPANY – SAXO BANK A/S

- 106** | Income Statement
- 107** | Statement of Comprehensive Income
- 108** | Statement of Financial Position
- 110** | Statement of Changes in Equity
- 112** | Statement of Capital Base
- 113** | Notes

STATEMENTS

- 127** | Statement by the Management
- 128** | Statements by the Independent Auditor

INCOME STATEMENT – SAXO BANK GROUP
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2012	2011
3	Interest income	997,589	1,010,115
4	Interest expense	(219,420)	(238,016)
	Net interest income	778,169	772,099
5	Fee and commission income	964,963	981,951
6	Fee and commission expense	(808,501)	(880,264)
	Net interest, fees and commissions	934,631	873,786
7	Price and exchange rate adjustments	2,031,754	2,653,073
	Operating income	2,966,385	3,526,859
8	Other income	107,563	79,802
9, 11	Staff costs and administrative expenses	(2,508,063)	(2,498,552)
	Depreciation, amortisation and impairment of intangible and tangible assets	(381,237)	(220,225)
	Other expenses	(12,292)	(582)
12	Impairment charges for receivables, loans, advances etc.	(39,947)	(48,392)
19, 20	Income from associates and joint ventures	19,635	9,024
	Profit before tax	152,044	847,934
13	Tax	(71,152)	(230,184)
	Net profit	80,892	617,750
	Proposed allocation of net profit		
	Shareholders of Saxo Bank A/S	68,143	619,165
	Non-controlling interests	12,749	(1,415)
	Net profit	80,892	617,750

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK GROUP
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2012	2011
	Net profit	80,892	617,750
	Other comprehensive income		
	Exchange rate adjustments	11,479	35,727
38	Fair value adjustment of cash flow hedges:		
	Effective portion of changes in fair value	(27,791)	(60,762)
	Net amount transferred to profit or loss	13,909	11,750
38	Hedge of net investments in foreign entities	(8,696)	(23,657)
24	Revaluation of domicile properties	72,828	-
	Other comprehensive income from associates, net of tax	5,390	-
26	Actuarial losses	(7,012)	(2,133)
13	Tax on other comprehensive income	(10,934)	18,424
	Total other comprehensive income	49,173	(20,651)
	Total comprehensive income	130,065	597,099
	Proposed allocation of total comprehensive income		
	Shareholders of Saxo Bank A/S	117,316	598,514
	Non-controlling interests	12,749	(1,415)
	Total comprehensive income	130,065	597,099

**STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP
AT 31 DECEMBER**

Note	(DKK 1,000)	2012	2011
ASSETS			
	Cash in hand and demand deposits with central banks	2,748,647	1,364,841
14	Receivables from credit institutions and central banks	2,461,628	6,946,639
15	Trading assets	14,905,496	12,932,734
16	Loans and advances at amortised cost	1,760,842	1,690,399
17	Investment securities	89,226	59,800
	Current tax assets	21,198	66,623
18	Assets held for sale	25,019	7,851
19, 20	Investments in associates and joint ventures	319,401	287,949
21	Intangible assets	2,266,523	2,087,013
23	Investment properties	5,432	19,407
24	Tangible assets	1,140,680	1,057,646
25	Deferred tax assets	115,535	139,895
26	Other assets	260,508	357,415
	Total assets	26,120,135	27,018,212

**STATEMENT OF FINANCIAL POSITION – SAXO BANK GROUP
AT 31 DECEMBER**

Note	(DKK 1,000)	2012	2011
LIABILITIES			
27	Debt to credit institutions and central banks	2,001,985	3,136,444
15	Trading liabilities	2,596,771	2,765,450
28	Deposits	16,451,131	14,869,235
29	Issued bonds at amortised cost	-	849,618
	Current tax liabilities	36,623	21,695
25	Deferred tax liabilities	218,198	323,616
30	Provisions	58,288	106,643
	Other liabilities	521,000	802,968
31	Subordinated debt	871,633	902,512
	Total liabilities	22,755,629	23,778,181
EQUITY			
32	Share capital	66,598	66,598
	Translation reserve	168,651	163,694
	Hedging reserve	(57,534)	(47,122)
	Revaluation reserve	54,921	-
	Retained earnings	3,089,150	3,032,082
	Shareholders of Saxo Bank A/S	3,321,786	3,215,252
	Non-controlling interests	42,720	24,779
	Total shareholders' equity	3,364,506	3,240,031
	Total liabilities and equity	26,120,135	27,018,212

**STATEMENT OF CHANGES IN EQUITY – SAXO BANK GROUP
AT 31 DECEMBER**

(DKK 1,000)	Shareholders of Saxo Bank A/S						Non-controlling interests	Total
	Share capital	Trans-lation reserve	Hedging reserve	Reva-luation reserve	Retained earnings	Total		
Equity 1 January 2012	66,598	163,694	(47,122)	-	3,032,082	3,215,252	24,779	3,240,031
Net profit	-	-	-	-	68,143	68,143	12,749	80,892
Other comprehensive income								
Exchange rate adjustments	-	11,479	-	-	-	11,479	-	11,479
Fair value adjustment of cash flow hedges	-	(13,882)	-	-	-	(13,882)	-	(13,882)
Hedge of net investments in foreign entities	-	(8,696)	-	-	-	(8,696)	-	(8,696)
Revaluation of domicile properties	-	-	-	72,828	-	72,828	-	72,828
Other comprehensive income from associates, net of tax	-	-	-	-	5,390	5,390	-	5,390
Actuarial losses	-	-	-	-	(7,012)	(7,012)	-	(7,012)
Tax on other comprehensive income	-	2,174	3,470	(17,907)	1,329	(10,934)	-	(10,934)
Total other comprehensive income	-	4,957	(10,412)	54,921	(293)	49,173	-	49,173
Total comprehensive income	-	4,957	(10,412)	54,921	67,850	117,316	12,749	130,065
Transactions with owners								
Acquisitions	-	-	-	-	(4,903)	(4,903)	6,230	1,327
Share-based payments	-	-	-	-	720	720	-	720
Treasury shares	-	-	-	-	(2,905)	(2,905)	-	(2,905)
Transactions with non-controlling interests	-	-	-	-	(323)	(323)	(1,038)	(1,361)
Other capital movements	-	-	-	-	(3,371)	(3,371)	-	(3,371)
Equity 31 December 2012	66,598	168,651	(57,534)	54,921	3,089,150	3,321,786	42,720	3,364,506

**STATEMENT OF CHANGES IN EQUITY – SAXO BANK GROUP
AT 31 DECEMBER**

(DKK 1,000)	Shareholders of Saxo Bank A/S						Non-controlling interests	Total
	Share capital	Trans-lation reserve	Hedging reserve	Reva-luation reserve	Retained earnings	Total		
Equity 1 January 2011	66,547	145,709	(10,232)	-	2,668,133	2,870,157	9,883	2,880,040
Net profit	-	-	-	-	619,165	619,165	(1,415)	617,750
Other comprehensive income								
Exchange rate adjustments	-	35,727	-	-	-	35,727	-	35,727
Fair value adjustment of cash flow hedges	-	-	(49,012)	-	-	(49,012)	-	(49,012)
Hedge of net investments in foreign entities	-	(23,657)	-	-	-	(23,657)	-	(23,657)
Actuarial losses	-	-	-	-	(2,133)	(2,133)	-	(2,133)
Tax on other comprehensive income	-	5,915	12,122	-	387	18,424	-	18,424
Total other comprehensive income	-	17,985	(36,890)	-	(1,746)	(20,651)	-	(20,651)
Total comprehensive income	-	17,985	(36,890)	-	617,419	598,514	(1,415)	597,099
Transactions with owners								
Acquisitions	-	-	-	-	-	-	18,297	18,297
Share-based payments	-	-	-	-	2,400	2,400	-	2,400
Dividend paid to shareholders	-	-	-	-	(246,090)	(246,090)	-	(246,090)
Dividend treasury shares	-	-	-	-	139	139	-	139
Increase in share capital	51	-	-	-	6,171	6,222	-	6,222
Treasury shares in business combinations	-	-	-	-	(8,699)	(8,699)	-	(8,699)
Treasury shares	-	-	-	-	4,130	4,130	-	4,130
Transactions with non-controlling interests	-	-	-	-	(10,095)	(10,095)	(1,986)	(12,081)
Other capital movements	-	-	-	-	(1,426)	(1,426)	-	(1,426)
Equity 31 December 2011	66,598	163,694	(47,122)	-	3,032,082	3,215,252	24,779	3,240,031

**STATEMENT OF CAPITAL BASE – SAXO BANK GROUP
AT 31 DECEMBER**

(DKK 1,000)	2012	2011
Total shareholders' equity	3,364,506	3,240,031
Revaluation reserve	(54,921)	-
Guaranteed capital	201,888	198,627
Intangible assets ¹⁾	(2,459,844)	(2,282,326)
Deferred tax liabilities, intangible assets	218,198	232,575
Deferred tax assets	(115,535)	(139,895)
Core Tier 1 capital	1,154,292	1,249,012
Hybrid capital	106,211	97,815
Fair value reserve cash flow hedges	57,534	47,122
Investments in associates (50%) ²⁾	(48,014)	(37,257)
Tier 1 capital	1,270,023	1,356,692
Subordinated loans, reduced value	432,517	497,291
Revaluation reserve	54,921	-
Investments in associates (50%) ²⁾	(48,014)	(37,257)
Capital base	1,709,447	1,816,726
¹⁾ Including goodwill and other intangible assets from associates of DKK 193.3 million (2011: DKK 195.3 million).		
²⁾ Relate to investments in associates which are credit institutions, excluding goodwill.		
Risk weighted items		
Credit risk	4,309,357	3,930,694
Market risk	2,430,348	3,460,562
Operational risk	5,885,093	5,177,818
Total risk weighted items	12,624,798	12,569,074
Core Tier 1 capital ratio	9.1%	9.9%
Tier 1 capital ratio	10.1%	10.8%
Total Capital ratio, Solvency ratio	13.5%	14.5%

CASH FLOW STATEMENT – SAXO BANK GROUP
AT 31 DECEMBER

(DKK 1,000)	2012	2011
Cash flow from operating activities		
Profit before tax	152,044	847,934
Adjustment for non-cash operating items:		
Income from associates and joint ventures	(19,635)	(9,024)
Amortisation and impairment charges of intangible assets	289,197	142,378
Depreciation and impairment charges of tangible assets and investment properties	92,041	77,847
Loan impairment charges	44,440	64,356
Tax paid	(105,320)	(110,585)
Other non-cash operating items	(40,311)	(66,470)
Total	412,456	946,436
Changes in operating capital:		
Receivables from credit institutions and central banks	86,429	(35,082)
Derivative financial instruments	267,467	(1,594,397)
Loans and advances at amortised cost	(114,202)	678,775
Bonds	(2,426,509)	2,466,191
Other assets	66,523	91,535
Debt to credit institutions and central banks	(1,155,804)	2,557,017
Deposits	1,586,819	249,427
Provisions and other liabilities	(339,341)	(50,400)
Cash flow from operating activities	(1,616,162)	5,309,502
Cash flow from investing activities		
Acquisition of businesses, net of cash acquired	(20,122)	(90,544)
Acquisition of associates, joint ventures and other participating interests	(7,681)	(71,396)
Acquisition of intangible and tangible assets	(577,968)	(751,173)
Cash flow from investing activities	(605,771)	(913,113)
Cash flow from financing activities		
Redemption of subordinated debt	-	(39,465)
Issued bonds at amortised cost	-	849,618
Redemption of issued bonds	(850,000)	-
Transactions with non-controlling interests	(1,361)	(12,081)
Dividends paid	-	(246,090)
Increase in share capital	-	6,222
Purchase/disposal of treasury shares	(1,642)	4,130
Cash flow from financing activities	(853,003)	562,334
Net (decrease)/increase in cash and cash equivalents	(3,074,936)	4,958,723
Cash and cash equivalents at 1 January	8,233,454	3,274,731
Cash and cash equivalents at 31 December	5,158,518	8,233,454
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	2,748,647	1,364,841
Amounts due from credit institutions and central banks within three months	2,409,871	6,868,613
Cash and cash equivalents at 31 December	5,158,518	8,233,454

NOTES – SAXO BANK GROUP

Note

1 Accounting policies

The consolidated financial statements of Saxo Bank A/S for the year ended 31 December 2012 comprise Saxo Bank A/S and its subsidiaries (together referred to as "the Group").

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the EU and interpretations of such standards issued by the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the consolidated financial statements comply with the requirements in the Danish FSA's executive order No. 1306 dated 16 December 2008 on the application of IFRS by entities subject to the Danish Financial Business Act.

On 12 March 2013, the Board of Directors and Board of Management considered and approved the annual report for the financial year 2012 for Saxo Bank A/S. The annual report will be submitted for approval by the shareholders of Saxo Bank A/S at the annual general meeting on 18 April 2013.

Comparative figures

Trading deposits placed by financial institutions were in the annual report 2011 classified as Deposits in the statement of financial position. These deposits are in 2012 reclassified to Debt to credit institutions and central banks. The comparative figures have been changed with DKK 2.65 billion at 31 December 2011. Besides this certain minor changes have been made in the comparative figures for 2011 due to reclassification.

Basis of preparation

The consolidated financial statements are presented in Danish kroner (DKK) (rounded to nearest DKK thousand), which is also Saxo Bank A/S' functional currency.

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which are measured at fair value: trading assets, investment securities, investment properties and trading liabilities. Assets classified as held for sale are measured at the lower of the carrying amount before the changed classification and fair value less costs to sell. Domicile properties are carried at a revalued amount.

Basis of consolidation

The consolidated financial statements comprise the parent company Saxo Bank A/S and subsidiaries in which Saxo Bank A/S has control of the financial and operating policies in order to obtain a return or other benefits from its activities. Control is presumed to exist, when Saxo Bank A/S owns or control, directly or indirectly, more than 50% of the voting rights in an entity or otherwise has a controlling interest (including de facto control).

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a held for sale financial asset depending on the level of influence retained.

Information on Group subsidiaries is disclosed in note 43.

Entities in which the Group has significant influence, but which it does not control, are considered associates. Significant influence is generally presumed to exist when the Group owns or control directly or indirectly more than 20% of the voting rights but less than 50%.

Joint arrangement whereby the Group and the parties involved have joint control of the arrangement and have rights to the net assets of the arrangement are considered joint ventures.

The consolidated financial statements have been prepared as a consolidation of the financial statements of Saxo Bank A/S and the subsidiaries' prepared according to the Group's accounting policy. The consolidated financial statements are prepared by consolidating items of the same nature. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

The accounting items for subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of the net profit/loss for the year and of the equity of the subsidiaries, are included in the Group's net profit/loss and equity respectively, but is disclosed separately.

Business combinations

Acquired entities are recognised in the consolidated financial statements from the date of acquisition. The date of acquisition is the date when the Group effectively obtains control of the acquired entity, obtains significant influence over the associate or enters into a joint arrangement. Businesses which are divested are recognised in the consolidated financial statements until the date of the divestment.

Any excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under Intangible assets. When the excess is negative, a bargain purchase gain is recognised in the profit for the year at the acquisition date. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies · continued

If uncertainties exist at the acquisition date regarding identification or measurement of acquired identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up to 12 months after the acquisition date and comparative figures are restated accordingly.

The cost of a business combination comprises the fair value of the consideration agreed upon. If part of the consideration is conditional upon future events, this is included in the cost to the extent that the events are probable and the consideration can be measured reliably. Acquisition related costs are recognised in the income statement as incurred.

Changes in estimates of contingent consideration relating to business combinations effected on or after 1 January 2010 are generally recognised in the income statement in Other income or Other expenses. However, if new information becomes available within 12 months from the acquisition date and provides evidence of conditions relating to the contingent consideration or circumstances that existed at the acquisition date, the acquisition accounting is adjusted with effect on goodwill. For business combinations effected prior to 1 January 2010 subsequent adjustments to estimates of contingent consideration continue to be recognised in goodwill.

In a business combination achieved in stages (step acquisition), the shareholding held immediately before the step acquisition is remeasured at fair value at the acquisition date and recognised as the cost of the shareholding in the entity. Gain or losses from the remeasurement is recognised in Other income or Other expenses.

In each business combination, it is decided whether or not to recognise goodwill related to non-controlling interests.

On acquisition of non-controlling interests (i.e. subsequent to the Group obtaining control) acquired net assets are not remeasured at fair value. On acquisition of non-controlling interests, the difference between the cost and the non-controlling interests' share of total carrying amount including goodwill is transferred from the non-controlling interests' share of equity to equity attributable to the shareholders of Saxo Bank A/S. On disposal of shareholdings to non-controlling interests, the difference between the sales price and the share of total carrying amount, including goodwill, acquired by the non-controlling interests is transferred from equity attributable to the shareholders of Saxo Bank A/S to the non-controlling interests' share of equity.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currency translation

The functional currency of each of the Group's entities is the currency of the country in which the entity is domiciled, as most income and expenses are settled in local currency. Transactions denominated in currencies other than the functional currency are considered transactions in foreign currency.

Transactions in foreign currency are translated at the exchange rate of the entity's functional currency at the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rates at the reporting date. Realised and unrealised gains and losses are recognised in the income statement as foreign exchange rate adjustments.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of the Group (DKK), the income statements and cash flow statements are translated at the exchange rates at the transaction date. Statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange rate adjustments arising on translation of opening balance of equity of foreign entities (including goodwill) at the exchange rates at the reporting date and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the reporting date, are recognised in other comprehensive income and presented in equity under Translation reserve.

On recognition in the consolidated financial statements of associates and joint ventures with a functional currency other than the presentation currency of Saxo Bank A/S (DKK), the share of profit/loss for the year is translated at average exchange rates and the share of equity (including goodwill), is translated at the exchange rates at the reporting date. Foreign exchange rate adjustments arising on translation of share of the opening balance of equity of foreign associates at the exchange rates at the reporting date, and on translation of the share of profit/ loss for the year from average exchange rates to the exchange rates at the reporting date, are recognised in other comprehensive income and presented in equity under Translation reserve.

On complete or partial disposal of a foreign entity, the share of the cumulative amount of the exchange rate adjustments recognised in other comprehensive income relating to that foreign entity is recognised in the income statement when the gain or loss on disposal is recognised.

Hedge accounting

When a derivative or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign entity, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and presented in equity

NOTES – SAXO BANK GROUP

Note

1 Accounting policies · continued

under Translation reserve. Any ineffective portion of changes in the fair value of the hedging instrument is recognised immediately in the income statement. The amount recognised in other comprehensive income is reclassified and recognised in the income statement on disposal of the foreign entity.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised liability the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in equity under Hedging reserve. The amount is reclassified to the income statement as a reclassification adjustment in the same period as the hedged cash flows affect the income statement. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

INCOME STATEMENT

Interest, fees and commissions

Interest income and expense is recognised in the income statement, using the effective interest method on the basis of the cost of the individual financial instrument. Premiums on forward transactions are accrued over the lifetime of the transactions and recognised in interest income.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Net premiums on forward transactions related to foreign exchange and securities are recognised as Interest income.

Received and paid fees and commissions result from trading with equities, derivative financial instruments and from investment management. Fees and commissions are recognised as income when services are delivered or received.

Price and exchange rate adjustments

Price and exchange rate adjustments comprise gains and losses related to trading asset, trading liabilities and investments securities including realised and unrealised fair value changes, foreign exchange differences and fair value adjustments to investments properties.

Other income

Other income includes items that are secondary to the Group's activities. This includes operating income from non-financial activities, gain/loss on step acquisitions, adjustments to contingent considerations etc.

Staff costs and administrative expenses

Salaries and other remuneration that the Group pays for work carried out during the year are expensed under Staff costs and administrative expenses, including the value of share-based payments.

Share-based payments

The Board of Directors, the Board of Management and other employees have been granted warrants in 2007 and 2008. The warrants are measured at fair value at the time of allocation and are recognised as an expense under Staff costs and administrative expenses over the vesting period. Expenses are set off against shareholders' equity.

In connection with initial recognition of the warrants, the expected number of exercisable warrants is estimated. Subsequent adjustments are made for changes in the estimate. The fair value of the warrants is estimated using the Black Scholes valuation method. The calculation takes into account the terms and conditions under which the warrants are allocated.

Other expenses

Danish financial entities participates in the Danish Guarantee Fund for Depositors and Investors. Guarantee commission is recognised in Other expenses. The liability to cover possible losses under the schemes is recognised as a provision when a loss is probable and can be measured reliably.

Impairment charges for receivables, loans, advances etc.

Impairment charges include losses on and impairment charges against receivables from credit institutions, loans, advances and guarantees.

Income from associates and joint ventures

Income from associates and joint ventures comprises the Group's share of the profit and loss after tax.

Income taxes

Income tax expense comprises current tax and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement and the tax expense relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Saxo Bank A/S is subject to the Danish rules on mandatory joint taxation of the Group's Danish companies. Danish subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation. The current Danish corporation tax is allocated between the Danish jointly taxed companies in proportion to their taxable income. The jointly taxed Danish companies are taxed under the on-account tax scheme.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies · continued

STATEMENT OF FINANCIAL POSITION

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks are measured at amortised cost less reduction for impairment.

Financial instruments generally

Financial assets are classified in the following categories at the date of recognition:

- trading assets, which are measured at fair value;
- loans, advances and receivables, which are measured at amortised cost less reduction for impairment;
- financial assets designated at fair value, with value adjustments being recognised in the income statement (fair value option).

Financial liabilities are classified in the following categories at the date of recognition:

- trading liabilities, which are measured at fair value;
- other financial liabilities, which are measured at amortised cost.

Purchase and sale of financial assets and liabilities are accounted for on the trade date.

Trading assets and trading liabilities

Trading assets and trading liabilities are part of the Group's trading portfolio. Trading assets comprise equities, bonds, derivative financial instruments with positive fair value and unsettled spot transactions. Trading liabilities consist of derivatives financial instruments with negative fair value and unsettled spot transactions.

At initial recognition, the trading assets and liabilities are measured at fair value, excluding transaction costs. Subsequently, the trading assets and liabilities are measured at fair value. Realised and unrealised gains and losses and dividends are recognised in Price and exchange rate adjustments.

Fair value of financial assets and liabilities that are traded in active markets is measured on the basis of quoted market prices. The fair value of such instruments is determined on the basis of the most recently observable closing prices at the reporting date. For matching positions mid prices are applied as the basis for determining the fair value of the matching position and bid/ask prices on the open net position, respectively.

If quoted market prices are not available, fair value is established using valuation techniques. Valuation techniques range from discounted cash flow analysis to complex option pricing models.

Loans and advances at amortised cost

Initial recognition is based on fair value plus transaction costs and less fees, charges and commissions received in connection with loan origination. Subsequently loans and advances are measured at amortised cost less reduction for impairment.

Impairment of loans, advances or amount receivable

If objective evidence of impairment of a loan, an advance or amount receivable exists the Group determines the impairment charge individually.

The impairment charge equals the difference between the carrying amount and the present value of the expected future cash flows from the loan including realisation value of any collateral. The impairment charge is adjusted if the present value of the expected future cash flows is changed.

Significant loans, advances and amounts due are tested individually for impairment at the end of each reporting period.

Loans and advances (retail banking activities) without objective evidence of impairment are included in an assessment of collective impairment on a portfolio basis. Collective impairment is calculated for portfolios of loans and advances with similar credit characteristics. The loans and advances are divided into portfolios based on current ratings.

Collective impairment is calculated as the difference between the carrying amount of the loans and advances of the portfolio and the present value of expected future cash flows.

Investment securities

Investments securities are initially measured at fair value. The Group designates some investment securities at fair value, with fair value changes recognised in income statement, when the investment securities are managed and reported internally on a fair value basis.

Asset held for sale

Asset held for sale comprises non-current assets and disposal groups held for sale. A disposal group is defined as a group of assets to be disposed of by sale or otherwise together as a group in a single transaction.

Liabilities classified as held for sale are those directly associated with the assets that will be transferred in the transaction.

Assets are classified as held for sale when the carrying amount of the assets is expected to primarily be recovered through a sale within 12 months from the reporting date in accordance with a formal plan rather than through continuing use. Such assets are measured at the lower of their

NOTES – SAXO BANK GROUP

Note

1 Accounting policies · continued

carrying amount at the date of reclassification and their fair value less expected costs to sell.

Intangible assets and tangible assets held for sale are not amortised or depreciated.

Investments in associates

Investments in associates are measured in accordance with the equity method, which means that the investments are measured at the proportionate share of the net asset value of the associates plus the carrying amount of goodwill at the reporting date.

Investments in joint ventures

Investments in joint ventures are measured in accordance with the equity method, which means that the investments are measured at the proportionate share of the net asset value of joint venture at the reporting date.

Intangible assets

Goodwill arises on the acquisition of subsidiaries and associates and is calculated as the difference between the cost of acquisition and the fair value of the net assets, including contingent liabilities, at the date of acquisition. Subsequently goodwill is measured at cost less accumulated impairment. Goodwill on associates is recognised under Investments in associates.

Acquired licenses are at initial recognition recognised at cost. Licenses are considered to have an indefinite useful life as they have no expiry date. Subsequently licenses are measured at cost less accumulated impairment.

Software developed by the Group is recognised as an asset if the cost of development is reliably measurable and an analysis shows that future economic benefits from using the software application exceed the cost. Cost is defined as development costs incurred to make each software application ready for use. Once a software application has been developed the cost is amortised over the expected useful life. The cost of development consists primarily of direct remuneration and other directly attributable development costs. Expenses incurred in the planning phase are not capitalised, but expensed when incurred.

Client relationships and trademarks acquired in a business combination are measured at the time of acquisition at their fair value and amortised over their expected useful life.

Amortisation periods are as follows:

Software	3-5 years
Client relationships	4-15 years
Trademarks	15 years

Goodwill and assets with indefinite useful life are not amortised, but tested for impairment annually. The first impairment test is performed no later than at the end of the acquisition year. Other intangible assets are tested for impairment if indications of impairment exist. Intangible assets are written down to the recoverable amount if the carrying amount exceeds the higher of the fair value less cost to sell and the value in use.

Amortisation and impairment charges are recognised in Depreciation, amortisation and impairment of intangible and tangible assets in the income statement.

Properties

Investment properties

Investment properties are recognised at cost upon acquisition and subsequently measured at fair value. Rental income is recognised in Other income and operating expenses are recognised in Other expenses. Fair value adjustments are recognised in Price and exchange rate adjustments.

Domicile properties

Domicile properties are properties occupied by the Group. Domicile properties are at initial recognition recognised at cost. Subsequently domicile properties are measured at revalued amount representing the fair value. Revaluations are made with regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. An increase in the carrying amount as a result of a revaluation is recognised in other comprehensive income and presented in equity under Revaluation reserve. If an increase reverses a revaluation decrease previously recognised in the income statement the increase is recognised in the income statement. A decrease in the carrying amount as a result of a revaluation is recognised in the income statement.

The fair value is determined by applying an asset return model or observable market price. The asset return model includes the property's rental income, operating expenses, as well as management and maintenance, etc. Operating expenses and maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used etc. The return rate is calculated on the basis of the location of the individual property, potential use, condition, term of lease etc.

Tangible assets

Leasehold improvements, fixtures, equipment and vehicles, IT equipment and airplanes are measured at cost, less accumulated depreciation and impairment.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies · continued

The tangible assets are depreciated on a straight-line basis over the estimated useful life. Depreciation periods are as follows:

Domicile properties	50 years
Leasehold improvements	5 years
Fixtures, equipment and vehicles ..	3-5 years
IT equipment	3-5 years
Airplanes	40 years

Tangible assets are tested for impairment if indications of impairment exist. Tangible assets are written down to its recoverable amount, if the carrying amount exceeds the higher of the fair value less costs to sell and the value in use. Depreciation and impairment charges are recognised in the income statement.

Amounts due to credit institutions and central banks and deposits

Amounts due to credit institutions and central banks and deposits are measured at amortised cost.

Issued bonds at amortised cost

At initial recognition issued bonds are measured at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, issued bonds are measured at amortised cost.

Pension and similar obligations

The Group has entered into retirement benefits schemes and similar arrangements with the majority of the Group's employees.

Contributions to defined contribution plans are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the statement of financial position as other liabilities.

For defined benefit plans an annual actuarial calculation is made of the present value of future benefits under the defined benefit plan. For defined benefit plans, the Group has an obligation to pay defined future benefits from the time of retirement. The present value is determined on the basis of expected future development in variables such as salary levels, interest rates and inflation, time of retirement and mortality.

Pension costs for the year are recognised in the income statement based on actuarial estimates and financial expectations at the beginning of the reporting period. Any difference between the expected development in pension plan assets and liabilities and realised amounts determined at the reporting date constitutes actuarial gains or losses and is recognised in other comprehensive income. The actuarial present value of defined benefit obligations less the fair value of plan assets is recognised in the statement of financial position under Pension and similar obligations or Other assets.

Provisions

Provisions are recognised when, as a result of events arising before or at the reporting date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are discounted if the effect is material to the measurement of the liability.

Subordinated debt

Subordinated debt comprises of subordinated loans, hybrid capital and guaranteed capital which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until any other creditor claims has been honored.

At initial recognition subordinated debt is measured at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost.

Tax

Current tax liabilities is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for tax payable in respect of previous years and for tax paid on account.

Deferred tax is measured in accordance with the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is not recognised in respect of temporary differences regarding goodwill that is not amortisable for tax purposes and other items for which temporary differences have arisen at the time of acquisition without this having an impact on the profit/loss or the taxable income. Where the tax base may be calculated according to different taxation rules, deferred tax is measured based on management's planned use of the assets, or, as the case may be, the planned repayment of the liability.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised at the amount at which they are expected to be realised, either by offset against taxes on future earnings, or through offset against deferred tax liabilities within the same taxable entity and jurisdiction.

Deferred tax assets and liabilities are offset if the entity has a legal right to offset current tax liabilities and tax assets or intends to either settle current tax liabilities and tax assets on a net basis, or realise the assets and the liabilities at the same time.

Deferred tax is measured on the basis of the tax regulations and tax rates enacted or substantively enacted at the reporting date. Any changes in deferred tax resulting from changed tax rates are recognised in the income statement.

NOTES – SAXO BANK GROUP

Note

1 Accounting policies · continued

Shareholders' equity

Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities arisen on or after 1 January 2010. The reserve also includes translation of derivative financial instruments that hedge the Group's net investment in foreign entities.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

Revaluation reserve

The revaluation reserve comprises revaluations of domicile properties after the recognition of deferred tax.

Proposed dividends

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting (time of declaration). Dividend proposed to be distributed for the year is included under Shareholders' equity until adoption of the dividend proposal.

Treasury shares

Treasury shares are not recognised as assets. Proceeds related to acquisition or disposal of treasury shares are recognised directly in Retained earnings under Shareholders' equity.

Non-controlling interests

Non-controlling interests comprise the share of the shareholders' equity not owned directly or indirectly by Saxo Bank A/S, equalling the carrying amount of the net assets in subsidiaries not owned or controlled directly or indirectly by Saxo Bank A/S.

CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. The cash flow statement is based on the profit before tax for the year and shows cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalent during the year.

Cash and cash equivalents comprise cash in hand and demand deposits with central banks and receivables from credit institutions and central banks with less than three months to maturity.

NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS

IASB has published the following standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2012:

The following standards and amendments are relevant for the Group and are published by IASB, but not yet in force:

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009-2011

The Group adopts the new standards and interpretations when they become mandatory in EU. None of the standards and interpretations are expected to have a material impact on the consolidated financial statements.

NOTES – SAXO BANK GROUP

Note

2 Critical accounting estimates and judgements

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

Certain accounting policies are considered to be particularly important to the financial position of the Group, the majority of which relate to matters that are inherently uncertain. Critical estimates and judgements have the most substantial impact on the consolidated financial statements in the following areas:

- fair value measurement of financial instruments
- measurement of loans and advances
- measurement of goodwill
- recognition of deferred tax assets

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

Fair value measurement of financial instruments

Measurements of financial instruments based on quoted market prices in an active market or based on generally accepted valuation techniques employing observable market data are not subject to critical estimates.

Measurements of financial instruments that are not based on observable market data, such as unlisted equities and certain bonds for which there is no active market, are subject to estimates. Classification of financial instruments using the fair value hierarchy is disclosed in note 37 Accounting classifications and fair values.

Measurement of loans and advances

The Group recognises impairment charges to account for any impairment of loans and advances that occurs after initial recognition. Impairment charges consist of individual and collective charges and rely on a number of estimates, including identification of loans or portfolios of loans with objective evidence of impairment, expected future cash flows and the value of collateral.

Impairment charges are based on the Group's determination of the client's expected ability to repay the debt, depending on several factors such as the client's earnings capacity, employment, and trends in general economic growth.

The Risk management section on page 81 provides more details on impairment charges for loans and advances, on rating of loans portfolio and collateral held.

Measurement of goodwill

Goodwill on acquisition is tested for impairment annually. Impairment testing requires that management estimates future cash flows from acquired entities. A number of factors affect the value of such cash flows, including discount rates, changes in expected long-term growth, capital requirements, economic development and other variables. Note 22 Impairment test provides more information on impairment test.

Recognition of deferred tax assets

Deferred tax assets arising from unused tax losses are recognised to the extent that such losses can be offset against tax on future profit. Recognition of deferred tax assets requires management's assessment of the probability and amount of future taxable profit for entities with unused tax losses. Note 25 Deferred tax assets and deferred tax liabilities provides more information about deferred tax assets.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
3 Interest income			
Credit institutions and central banks		21,004	38,320
Loans and advances		151,178	155,253
Bonds		109,134	295,814
Derivative financial instruments		715,496	520,728
Other interest income		777	-
Total interest income	997,589	1,010,115	
Interest added to financial assets subject to individual impairment amounted to DKK 2.2 million (2011: DKK 2.2 million).			
4 Interest expense			
Credit institutions and central banks		(39,324)	(39,640)
Deposits		(56,217)	(47,463)
Issued bonds		(15,571)	(26,134)
Subordinated loans		(29,549)	(32,834)
Guaranteed capital		(23,923)	(15,273)
Derivative financial instruments		(51,893)	(75,419)
Other interest expense		(2,943)	(1,253)
Total interest expense	(219,420)	(238,016)	
5 Fee and commission income			
Trading with equities and derivative financial instruments		818,560	879,629
Payment services fees		4,826	3,392
Origination fees		21,051	13,215
Guarantee commissions		984	556
Asset management fees		112,732	77,090
Other fee and commission income		6,810	8,069
Total fee and commission income	964,963	981,951	
6 Fee and commission expense			
Trading with equities and derivative financial instruments		(808,501)	(880,264)
Total fee and commission expense	(808,501)	(880,264)	

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
7 Price and exchange rate adjustments			
Bonds	(79,528)	(149,261)	
Investment securities	2,167	(13,834)	
Foreign exchange	1,683,396	2,430,827	
Derivative financial instruments	425,719	385,341	
Total price and exchange rate adjustments	2,031,754	2,653,073	
8 Other income			
Revaluation gain on step acquisition	-	29,525	
Income from non-financial activities	64,767	28,055	
Other	42,796	22,222	
Total other income	107,563	79,802	
9 Staff costs and administrative expenses			
Staff costs	(1,248,805)	(1,278,496)	
Administrative expenses	(1,259,258)	(1,220,056)	
Total staff costs and administrative expenses	(2,508,063)	(2,498,552)	
Staff costs			
Salaries	(1,050,471)	(1,072,431)	
Share-based payments	(720)	(2,400)	
Defined benefit plans	(2,987)	(3,200)	
Defined contribution plans	(84,040)	(73,095)	
Social security expenses and financial services employer tax	(110,587)	(127,370)	
Total staff costs	(1,248,805)	(1,278,496)	
Average number of employees (converted into full-time equivalents)		1,522	1,413

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

9 Staff costs and administrative expenses · continued

Remuneration to Board of Directors and Board of Management

	Board of Directors	Board of Management
2012		
Salaries and other remuneration	(3,313)	(24,135)
Social security expenses	-	(4)
Total remuneration	(3,313)	(24,139)

	2011	2011
Salaries and other remuneration	(5,333)	(23,899)
Social security expenses	-	(4)
Total remuneration	(5,333)	(23,903)

	2012	2011
Remuneration to Board of Directors		
Asiff Hirji	From 14 December 2011	-
Dennis Malamatinas (Chairman)	From 15 March 2007	(1,375) (1,000)
Florian Wendelstadt	From 20 June 2005 until 14 December 2011	- (1,833)
Isabel Ferreira	From 6 April 2010 until 14 December 2011	- -
Karl Peterson	From 14 December 2011	- -
Kurt K. Larsen	From 6 April 2010	(938) (1,500)
Thomas Plenborg	From 6 April 2010	(1,000) (1,000)
Total remuneration to Board of Directors	(3,313)	(5,333)

The Board of Directors receives a fixed annual fee for duties performed in Saxo Bank A/S.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
9 Staff costs and administrative expenses · continued			
Remuneration to Board of Management			
Kim Fournais		(12,118)	(11,964)
Lars Seier Christensen		(12,021)	(11,939)
Total remuneration to Board of Management		(24,139)	(23,903)

Board of Management receives fixed remuneration only. The Group has no pension obligations toward Board of Management.

The Board of Management participates in the 2007 and 2008 warrant programme described in note 10 Share-based payments. The warrants have an exercise price of 148 per share. The exercise of the shares is locked up until 30 June 2014.

Significant risk takers

Total remuneration to significant risk takers included in Staff costs amounts to DKK 168.7 million (2011: DKK 189.8 million). The Group has 64 employees (2011: 41) with significant influence on the Group's risk profile determined based on the guidance in the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups. Employees, who are board member in several subsidiaries, are included once. Remuneration to the 64 significant risk takers (2011: 41) consist of fixed remuneration DKK 168.7 million (2011: DKK 154.7 million) and variable remuneration DKK 0 million (2011: DKK 35.1 million). The Group has no pension obligations towards significant risk takers as their pension schemes are defined contribution plans. Variable remuneration is determined according to the Group's remuneration policy and is based on the performance of the individual person. Risk takers in controlling functions do not receive variable remuneration. Some of the significant risk takers participate in the warrant programme described in note 10 Share-based payments.

Disclosures according to the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups are available at the Group's website www.saxoworld.com. The disclosures are not covered by the statutory audit.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

10 Share-based payments

Warrants were granted in 2007 (2,156,644 warrants) and 2008 (2,849,840 warrants) to Board of Directors, Board of Management and employees. The exercise price of the granted warrants is equal to the market price on the date of the grant. The warrants are conditional on the performance of the individual and of the Group and/or presence of the holders concerned.

At the time of grant the fair value of the warrants granted in 2007 was estimated to DKK 13 million and the fair value of the warrants granted in 2008 was estimated to DKK 55 million. The fair value was measured using the Black-Scholes option pricing model based on the assumptions at the time of grant concerning time to maturity, risk-free interest rate (3%), volatility (20% in 2007 and 25% in 2008), and exercise restrictions etc.

The warrants are accounted for as equity-settled transactions. The fair value at grant date of these warrants is expensed in the income statement over the vesting period from 2007 to 2014. In 2012, DKK 0.7 million was recognised under Staff cost and administrative expenses (2011: DKK 2.4 million).

Number of warrants	Average exercise price	Board of Directors	Board of Management	Employees	Total
Outstanding at 1 January 2011	141	-	1,770,000	1,528,721	3,298,721
Forfeited	105	-	-	2,390	2,390
Exercised	122	-	-	(51,015)	(51,015)
Expired	148	-	-	(248,492)	(248,492)
Outstanding at 31 December 2011	141	-	1,770,000	1,231,604	3,001,604
Forfeited	-	-	-	-	-
Exercised	-	-	-	-	-
Expired	-	-	-	-	-
Outstanding at 31 December 2012	141	-	1,770,000	1,231,604	3,001,604

Out of the 3,001,604 (2011: 3,298,721) outstanding warrants as per 1 January, 1,179,786 warrants (2011: 773,978 warrants) were exercisable in 2012. No warrants have been exercised in 2012. Warrants exercised in 2011 resulted in 51,015 shares being issued at an exercise price of DKK 103 or DKK 148 each.

Warrants outstanding at 31 December have the following exercise price, expiry date and exercise period:

	Exercise price	Expiry date	Exercise period	2012	2011
2007 warrants	103	2014	2013-2014	474,471	474,471
2008 warrants	148	2014	2013-2014	2,527,133	2,527,133
Total warrants outstanding				3,001,604	3,001,604

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
11 Audit fees			
Fees for statutory audit		(4,512)	(4,472)
Fees for assurance engagements other than audit		(1,432)	(1,864)
Fees for tax advisory services		(1,634)	(1,188)
Fees for other services		(4,156)	(14,437)
Total audit fees		(11,734)	(21,961)
Related to audit firm appointed at the annual general meeting to perform statutory audit. Audit fees are included in administrative expenses.			
12 Impairment charges for receivables, loans, advances etc.			
Loans and advances		(49,889)	(91,296)
Reversals of impairment from previous years etc.		9,942	42,904
Total impairment charges for receivables, loans, advances etc.		(39,947)	(48,392)
13 Tax			
Current tax		(71,474)	(59,126)
Changes in deferred tax		14,712	(151,094)
Impairment of deferred tax assets		(25,000)	-
Adjustments to previous years' tax		(324)	(1,540)
Tax on total comprehensive income		(82,086)	(211,760)
Of which is recognised in other comprehensive income		(10,934)	18,424
Tax on profit recognised in the income statement		(71,152)	(230,184)
Current Danish tax rate		25.0%	25.0%
Effective tax rate		46.8%	27.1%
Reconciliation of effective tax rate			
Profit before tax		152,044	847,934
Tax using the current Danish tax rate including CFC taxation		(38,011)	(211,983)
Effect of tax rates in foreign jurisdictions		(3,413)	(1,406)
Non tax-deductible expenses		(8,237)	(7,880)
Impairment of deferred tax assets		(25,000)	-
Unrecognised tax losses		(9,551)	(9,898)
Recognition of previously unrecognised tax losses		8,475	1,270
Effect of income net of tax from associates		4,909	2,256
Adjustments to previous years tax, net		(324)	(2,543)
Total tax expense recognised in income statement		(71,152)	(230,184)

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

13 Tax · continued

Tax recognised in other comprehensive income

2012	Before tax	Tax	Net of tax
Exchange rate adjustments	11,479	-	11,479
Fair value adjustment of cash flow hedges	(13,882)	3,470	(10,412)
Hedge of net investments in foreign entities	(8,696)	2,174	(6,522)
Revaluation of domicile properties	72,828	(17,907)	54,921
Actuarial losses	(7,012)	1,329	(5,683)
Other comprehensive income from associates, net of tax	5,390	-	5,390
Total	60,107	(10,934)	49,173

2011			
Exchange rate adjustments	35,727	-	35,727
Fair value adjustment of cash flow hedges	(49,012)	12,122	(36,890)
Hedge of net investments in foreign entities	(23,657)	5,915	(17,742)
Actuarial losses	(2,133)	387	(1,746)
Total	(39,075)	18,424	(20,651)

	2012	2011
14 Receivables from credit institutions and central banks		
Demand deposits	2,369,926	6,660,008
Within 3 months	39,945	208,605
From 3-12 months	37,675	8,627
From 1-5 years	14,082	42,648
More than 5 years	-	26,751
Total receivables from credit institutions and central banks	2,461,628	6,946,639
Amounts due within 3 months DKK 2.41 billion (2011: DKK 6.87 billion) is included in the cash flow statement under Cash and cash equivalents.		
Receivables from credit institutions	2,461,628	2,971,651
Receivables from central banks	-	3,974,988
Total receivables from credit institutions and central banks	2,461,628	6,946,639

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
15 Trading assets and liabilities			
Listed bonds	10,357,688	7,931,179	
Listed equities	3,507	5,674	
Unlisted equities	3,556	13,685	
Derivative financial instruments with positive fair value	4,540,745	4,982,196	
Total trading assets	14,905,496	12,932,734	
Derivative financial instruments with negative fair value	2,596,771	2,765,450	
Total trading liabilities	2,596,771	2,765,450	
16 Loans and advances at amortised cost			
Investment brokers	4,390	18,442	
Trading clients	380,100	366,390	
Lending clients	1,376,352	1,305,567	
Total loans and advances at amortised cost	1,760,842	1,690,399	
Demand deposits	450,734	442,453	
Within 3 months	26,522	120,491	
From 3 – 12 months	109,927	156,117	
From 1 – 5 years	494,906	515,386	
More than 5 years	678,753	455,952	
Total loans and advances at amortised cost	1,760,842	1,690,399	
17 Investment securities			
Unlisted equities	89,226	59,800	
Total investment securities	89,226	59,800	
18 Assets held for sale			
Financial assets	1,190	1,099	
Property, plant and equipment	7,002	6,752	
Investment in joint ventures	16,827	-	
Total assets held for sale	25,019	7,851	

Property, plant and equipment was taken over by the Group by taking possession of collateral held as security against loans and advances. Financial assets are subsidiaries established with the purpose to be sold as part of property investment projects. Investment in joint ventures includes Boliga ApS and has been transferred from Investment in associates and joint ventures. The Group expects to sell the assets within twelve months from the date of classification as held for sale.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
19 Investments in associates and joint ventures			
Cost at 1 January		263,362	249,039
Additions		24,316	70,572
Disposals		-	(56,249)
Transfer to assets held for sale		(16,635)	-
Cost at 31 December		271,043	263,362
Revaluation at 1 January		24,587	9,696
Share of net profit		19,635	9,024
Share of other comprehensive income		5,390	-
Transfer to assets held for sale		(192)	-
Transfer to investment in subsidiaries		-	(568)
Exchange rate adjustments		(1,062)	6,435
Revaluation at 31 December		48,358	24,587
Carrying amount at 31 December		319,401	287,949

Associates	Total assets	Total liabilities	Revenue/ operating income	Net profit	Ownership	Currency
Banco Best S.A., Portugal	493,413	453,424	25,990	7,059	25%	EUR
Leverate Technological Trading Ltd., Israel	44,193	16,826	23,209	6,015	25%	ILS
Sortedam Dossering 3-9 m.fl. ApS, Denmark	91	4	10	7	33%	DKK
Sortedam Dossering 3-9 m.fl. P/S, Denmark	308,835	278,597	10,886	5,238	33%	DKK

2011	Total assets	Total liabilities	Revenue/ operating income	Net profit	Ownership	Currency
Banco Best S.A., Portugal	462,277	428,709	27,172	5,829	25%	EUR
Leverate Technological Trading Ltd., Israel ¹⁾	8,468	6,169	8,897	1,498	25%	ILS
Sortedam Dossering 3-9 m.fl. ApS, Denmark ²⁾	-	-	-	-	33%	DKK
Sortedam Dossering 3-9 m.fl. P/S, Denmark ²⁾	-	-	-	-	33%	DKK

¹⁾ Included from 1 August 2011.

²⁾ Established 1 March 2011.

The information disclosed is extracted from the companies' most recent annual reports.

Joint ventures	Ownership	Currency
2012		
CPH Capital Fondsmæglerselskab A/S (established 2 July 2012)	50%	DKK
Saxo Mittal Investment Pte. Ltd., Singapore (established 2 March 2012)	50%	SGD
Boliga ApS (classified as Assets held for sale)	50%	DKK

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
20 Investments in joint ventures			
Expenses	(2,072)	-	
Non-current assets	16,309	-	
Current assets	3,021	-	
Total assets	19,330	-	
Equity	19,127	-	
Current liabilities	203	-	
Total liabilities	19,330	-	

The amounts disclosed represents the Group's share of the revenue, expenses, assets and liabilities in joint ventures excluding Boliga ApS classified as Assets held for sale as per 31 December 2012.

Saxo Bank A/S is committed to participate in a capital increase in CPH Capital Fondsmæglerselskab A/S of DKK 7.4 million in 2013.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

21 Intangible assets

2012	Goodwill	Software under development	Software developed	Software purchased	Client relationships	Other	Total
Cost at 1 January	1,134,283	132,393	997,981	100,465	77,051	28,024	2,470,197
Additions	-	417,100	-	25,826	-	-	442,926
Additions from acquisitions	25,210	-	-	-	-	9,275	34,485
Additions from internal development	-	(478,358)	478,358	-	-	-	-
Disposals	(14,917)	-	-	(345)	-	-	(15,262)
Exchange rate adjustments	5,218	-	1,366	10	322	(6)	6,910
Cost at 31 December	1,149,794	71,135	1,477,705	125,956	77,373	37,293	2,939,256
Amortisation and impairment at 1 January	-	-	(276,446)	(56,820)	(43,743)	(6,175)	(383,184)
Amortisation	-	-	(209,978)	(21,740)	(8,566)	(3,845)	(244,129)
Impairment losses ¹⁾	(5,068)	-	(40,000)	-	-	-	(45,068)
Reversal of amortisation, disposals	-	-	-	69	-	-	69
Exchange rate adjustments	-	-	-	(121)	(301)	1	(421)
Amortisation and impairment at 31 December	(5,068)	-	(526,424)	(78,612)	(52,610)	(10,019)	(672,733)
Carrying amount at 31 December	1,144,726	71,135	951,281	47,344	24,763	27,274	2,266,523

¹⁾ For details of impairment losses, see note 22 Impairment test.

In 2012, the Group expensed DKK 15.3 million for development projects, primarily planning costs and costs incurred after the asset was ready for use.

	2012	2011
Additions and disposals to goodwill during the year		
Acquisitions (100% ownership interest)	25,210	38,036
Businesses acquired in a step acquisition	-	123,501
Adjustments to earn-outs	(6,843)	(17,381)
Adjustments to acquisition of businesses in previous years	(8,074)	(2,599)
Total	10,293	141,557

Additions to goodwill and adjustments to previous year's acquisitions are further described in note 35 Acquisition of businesses.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

21 Intangible assets · continued

2011	Goodwill	Software under development	Software developed	Software purchased	Client relationships	Other	Total
Cost at 1 January	978,582	250,470	381,697	64,719	75,435	15,022	1,765,925
Additions	-	476,315	-	35,706	-	-	512,021
Additions from acquisitions	161,537	-	21,892	-	1,013	13,000	197,442
Additions from internal development	-	(594,392)	594,392	-	-	-	-
Disposals	(19,980)	-	-	-	-	-	(19,980)
Exchange rate adjustments	14,144	-	-	40	603	2	14,789
Cost at 31 December	1,134,283	132,393	997,981	100,465	77,051	28,024	2,470,197
Amortisation and impairment at 1 January	-	-	(163,296)	(45,856)	(28,700)	(2,498)	(240,350)
Amortisation	-	-	(113,150)	(11,019)	(14,532)	(3,677)	(142,378)
Exchange rate adjustments	-	-	-	55	(511)	-	(456)
Amortisation and impairment at 31 December	-	-	(276,446)	(56,820)	(43,743)	(6,175)	(383,184)
Carrying amount at 31 December	1,134,283	132,393	721,535	43,645	33,308	21,849	2,087,013

In 2011, the Group expensed DKK 19 million for development projects, primarily planning costs and costs incurred after the asset was ready for use.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

22 Impairment test

Goodwill, intangibles with indefinite useful life and intangible assets not yet available for use

The Group performs impairment tests of goodwill, intangibles with indefinite useful life and intangible assets not yet available for use annually and whenever there is an indication that these intangibles may be impaired.

For the purpose of impairment test, goodwill acquired in a business combination is allocated to cash generating units (CGU) which are the smallest identifiable groups of assets that generate cash inflows largely independent of the cash inflows from other assets or activities. The recoverable amount of each CGU is determined on the basis of either the CGU's fair value less cost to sell or its value in use.

The debt structure of financial institutions requires the use of discounted dividend model to calculate the present value of future cash flows. For non-financial CGU's a discounted cash flow model is applied. The cash flow projections are based on budgets approved by management covering the following year and business plans covering five years or until earnings normalise. For impairment testing, a long-term growth rate is determined on the basis of forecast GDP rates in the country in which the CGU operates. The estimated dividend flow/cash flow is discounted at a post-tax CGU specific discount rate.

The carrying amount of goodwill and the key assumptions applied in the impairment testing as per 31 December 2012 are presented below for each CGU that is assessed to be significant in comparison with the Group's total carrying amount of goodwill.

	Carrying amount goodwill	Growth in terminal period	Discount rate, post tax	Discount rate, pre tax
2012				
Saxo Bank (Switzerland) AG	568,220	1.70%	6.70%	7.97%
Saxo Privatbank A/S	245,681	2.00%	8.00%	9.37%
Euroinvestor.com A/S	111,193	2.00%	8.00%	9.17%
Banco Best S.A. ¹⁾²⁾	130,522	1.60%	9.65%	12.11%
Other ²⁾	270,899	-	-	-
Total	1,326,515			
2011				
Saxo Bank (Switzerland) AG	561,666	2.00%	6.91%	8.48%
Saxo Privatbank A/S	157,971	1.00%	7.15%	8.56%
Euroinvestor.com A/S	123,501	1.00%	7.50%	9.42%
Banco Best S.A. ¹⁾²⁾	130,522	2.00%	9.65%	11.81%
Other ²⁾	344,318	-	-	-
Total	1,317,978			

¹⁾ The applied long-term discount rate, post tax 9.65% is calculated based on a ten year average yield on a 10 year Portuguese government bond, while the short medium term (1-5 year) discount rate, post tax applied is 11.70% based on the current yield on a 10 year Portuguese government bond.

²⁾ Goodwill related to associates is included in the carrying amount of investments in associates.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

22 Impairment test · continued

Sensitivity analysis

The key assumptions described above may change as market conditions or the regulatory environment for financial institutions change.

The carrying amount of goodwill related to Saxo Bank (Switzerland) AG represents 42.8% (2011: 42.6%) of the total goodwill. A sensitivity analysis shows that the discount rate post tax can increase by 2.3 (2011: 23.1) percentage points without resulting in an impairment loss.

The CGU with the lowest margin between recoverable amount and carrying amount represents 0.9% of the total goodwill (2011: 12.0%). A sensitivity analysis shows that the growth rate in the terminal period can decline by around 0.2 (2011: 0.5) percentage points or the discount rate post tax can increase by around 0.1 (2011: 0.1) percentage points without resulting in an impairment loss.

Intangible assets with finite life and property, plant and equipment

Intangible assets with finite life and property, plant and equipment are tested if there are indications of impairment. Each individual impairment test is based on smallest CGU affected by the changes that indicate impairment. The impairment test is based on budgeted estimated cash flows from the CGU.

Impairment losses

Based on the impairment tests performed impairment losses amounting to DKK 40.0 million, primarily related to one specific intangible asset due to change in future use, have been recognised in the income statement.

	2012	2011
23 Investment properties		
Fair value at 1 January	19,407	28,008
Additions including property improvement expenditure	335	50
Disposals	(13,973)	(2,007)
Reversal of revaluation regarding previous years	-	(744)
Fair value adjustments	(337)	(5,900)
Fair value at 31 December	5,432	19,407

Rental income from investment properties totalled DKK 1.8 million (2011: DKK 1.8 million). Expenses directly attributable to investment property generating rental income amounted to DKK 0.3 million (2011: DKK 0.3 million), whereas expenses directly attributable to investment property not generating rental income amounted to DKK 0.02 million (2011: DKK 0.03 million).

The required rate of return used for calculating the fair value in 2012 is in the range of 5.75% to 8.5% (2011: range of 5.75% to 7.9%).

No external valuation from real estate agents was obtained in 2012. In December 2011 external valuation was obtained from a real estate agent to support the calculation of fair value for a material part of the investment properties.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

24 Tangible assets

2012	Domicile properties	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Airplanes	Total
Cost or valuation at 1 January	721,528	102,272	142,480	178,725	201,477	1,346,482
Transferred from depreciation due to revaluation	(27,373)	-	-	-	-	(27,373)
Revaluation	72,828	-	-	-	-	72,828
Additions	320	17,166	12,775	73,481	-	103,742
Additions from acquisitions	-	432	683	916	-	2,031
Disposals	-	(1,118)	(5,357)	(1,134)	-	(7,609)
Exchange rate adjustments	-	66	312	284	-	662
Cost or valuation at 31 December	767,303	118,818	150,893	252,272	201,477	1,490,763
Depreciation and impairment at 1 January	(24,072)	(58,349)	(62,931)	(129,101)	(14,383)	(288,836)
Transferred to cost or valuation due to revaluation	27,373	-	-	-	-	27,373
Depreciation	(11,711)	(16,446)	(19,839)	(36,570)	(5,038)	(89,604)
Impairment	(2,100)	-	-	-	-	(2,100)
Disposals	-	129	3,877	365	-	4,371
Exchange rate adjustments	-	(487)	(560)	(240)	-	(1,287)
Depreciation and impairment 31 December	(10,510)	(75,153)	(79,453)	(165,546)	(19,421)	(350,083)
Carrying amount at 31 December	756,793	43,665	71,440	86,726	182,056	1,140,680

As per 30 June 2012 the Group's domicile properties have been revaluated at fair value.

The Danish Financial Supervisory Authority issued 7 March 2013 an executive order that the Banks main domicile property should be revaluated at a value of DKK 720 million at 31 December 2012 and that the revaluated value at 30 June 2012 in the Interim Report First Half 2012 should also have been DKK 720 million and not the Banks revaluated value in said report of DKK 750 million. Following the executive order the revaluated value of the main domicile property at 31 December 2012 is DKK 720 million and the change is incorporated in the revaluation surplus recognized in other comprehensive income.

The fair value is determined applying an asset return model based on observable prices and other valuation input. No external valuation experts have been involved.

	2012	2011
Domicile properties		
Required rate of return used in calculating the fair value of the domicile properties	4.75%	4.96%
Carrying amount if the domicile properties were carried under the cost method	684,906	697,456

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

24 Tangible assets · continued

2011	Domicile properties	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Airplanes	Total
Cost or valuation at 1 January	725,571	89,437	115,955	138,556	40,943	1,110,462
Adjustment to previous years	(5,250)	-	-	-	-	(5,250)
Additions	1,207	12,771	28,407	40,639	160,534	243,558
Additions from acquisitions	-	-	205	647	-	852
Disposals	-	(420)	(1,270)	(1,248)	-	(2,938)
Exchange rate adjustments	-	484	(817)	131	-	(202)
Cost or valuation at 31 December	721,528	102,272	142,480	178,725	201,477	1,346,482
Depreciation and impairment at 1 January	(11,233)	(43,571)	(43,901)	(104,206)	(13,397)	(216,308)
Adjustment to previous years	(600)	-	-	-	-	(600)
Depreciation	(12,239)	(13,896)	(19,186)	(25,640)	(986)	(71,947)
Disposals	-	303	485	1,097	-	1,885
Exchange rate adjustments	-	(1,185)	(329)	(352)	-	(1,866)
Depreciation and impairment 31 December	(24,072)	(58,349)	(62,931)	(129,101)	(14,383)	(288,836)
Carrying amount at 31 December	697,456	43,923	79,549	49,624	187,094	1,057,646

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
25 Deferred tax assets and deferred tax liabilities			
Deferred tax at 1 January, net		(183,721)	(33,517)
Adjustments to previous years		(8,589)	8,013
Reclassification to tax liabilities		98,574	-
Additions from acquisitions		-	(7,205)
Recognised in the income statement		6,293	(151,481)
Recognised in other comprehensive income		(16,581)	387
Exchange rate adjustments		1,361	82
Deferred tax at 31 December, net		(102,663)	(183,721)
Deferred tax liabilities		(218,198)	(323,616)
Deferred tax assets		115,535	139,895
Deferred tax at 31 December, net		(102,663)	(183,721)

Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
Intangible assets	35	-	(202,122)	(240,537)
Tangible assets	259	385	(29,113)	(8,520)
Tax losses carried forward	103,592	139,510	-	-
Provisions	11,649	-	13,037	(74,559)
Total	115,535	139,895	(218,198)	(323,616)

Deferred tax assets and liabilities are offset in the consolidated statement of financial position if the Group has legally enforceable right to offset current tax liabilities and the deferred tax assets and liabilities relate to the same legal tax entity.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related benefit is probable. Tax losses carried forward of DKK 98.4 million (2011: DKK 137.3 million) relate to tax losses that cannot be utilised in the joint taxation of the Group's Danish companies as it relates to the period before acquisition of the companies. The recognition is supported by a business plan for the companies.

Unrecognised tax assets amount to DKK 43.7 million (2011: DKK 21.3 million). These relate to tax losses which are not expected to be utilised in the foreseeable future. The unrecognised tax assets do not expire.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

26 Other assets

Pension and similar obligations

The Group contributes to defined contribution plans as well as defined benefit plans. The majority of the pension plans are funded through payments of annual premiums to independent insurance companies responsible for the pension obligation towards the employees (defined contribution plans). In these plans the Group has no legal or constructive obligation to pay further contributions irrespective of the funding by these insurance companies. Pension costs related to such plans are recognised as expenses when incurred.

The Group only has defined benefit plans in Switzerland. A retirement benefit obligation is recognised in the statement of financial position based on an actuarial calculation of the present value at the end of the reporting period less the plan asset. The obligations are funded. The defined benefits plans are based on years of service, and retirement benefits depend on the funding determined on the basis of salary and contribution rates plus interest.

	2012	2011
Defined benefit plans are recognised in the statement of financial position as follows:		
Present value of defined benefit obligations	56,260	40,802
Fair value of plan assets	(57,417)	(40,914)
Net obligations recognised	(1,157)	(112)
Plan assets consist of the following:		
Equity securities	24.10%	20.10%
Debt securities	44.30%	46.90%
Properties	10.60%	10.40%
Other	21.00%	22.60%
Total	100%	100%
Actuarial assumptions		
Discount rate	2.00%	3.00%
Expected return on plan assets	3.75%	3.75%
Future salary increases	2.00%	2.00%

The discount rate is based on market yield and high-quality corporate bonds with maturity approximating the terms of the defined benefit obligations. Expected return on plan assets is based on the plan asset portfolio and general expectations to the economic development.

The Group expects to pay DKK 4.3 million in contribution to defined benefit plans during 2013.

Due to the size of the defined benefit plans detailed disclosure are determined to be immaterial.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
27 Debt to credit institutions and central banks			
Debt on demand		1,587,556	2,708,185
Within 3 months		1,347	1,259
From 3-12 months		15,565	13,799
From 1-5 years		42,121	53,168
More than 5 years		355,396	360,033
Total debt to credit institutions and central banks		2,001,985	3,136,444
28 Deposits			
Deposits		15,813,825	14,208,466
Term deposits		242,012	244,956
Time deposits		2,230	27,802
Special deposits		393,064	388,011
Total deposits		16,451,131	14,869,235
Deposits on demand		15,336,673	13,653,132
Within 3 months		97,129	86,114
From 3-12 months		198,461	349,892
From 1-5 years		134,446	167,617
More than 5 years		684,422	612,480
Total deposits		16,451,131	14,869,235
29 Issued bonds at amortised cost			
From 1-5 years		-	849,618
Total issued bonds at amortised cost		-	849,618

In 2012 the Group utilised the option to redeem the issued bonds DKK 850 million.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

30 Provisions

2012	Restructuring etc.	Other	Total
Provisions at 1 January	49,167	57,476	106,643
Additional provisions recognised	19,884	1,033	20,917
Used during the year	(14,117)	(2,233)	(16,350)
Reversal of unused provisions	(9,500)	(43,588)	(53,088)
Exchange rate adjustments	74	92	166
Provisions at 31 December	45,508	12,780	58,288

Restructuring etc.

The provision comprises legal cases and restructuring costs including costs for restructuring reorganisation of the Group's operations.

Other

The provision comprises various other obligations incurred in the course of business.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
31 Subordinated debt			
Subordinated loans		563,534	606,070
Hybrid capital		106,211	97,815
Guaranteed capital		201,888	198,627
Total subordinated debt		871,633	902,512

Currency	Year of issue	Maturity	Interest	Margin first period		Margin second period		74,603	74,352
				Rate	Years	Rate	Years		
EUR	2006	31.03.2014	EURIBOR	2.25%	5	4.00%	3	74,603	74,352
EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	2	7,460	7,434
EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	2	52,221	52,046
EUR	2007	15.12.2019	EURIBOR	2.95%	10	2.95%	2	89,523	89,222
EUR	2007	15.09.2020	EURIBOR	2.95%	10	2.95%	3	111,904	111,527
EUR	2007	15.09.2020	EURIBOR	2.95%	10	3.95%	3	74,603	74,352
DKK	2004	09.12.2012	CIBOR ₃	2.98%	5	2.98%	3	-	48,635
DKK	2005	01.11.2013	CIBOR ₃	1.10%	5	2.60%	3	68,420	66,363
DKK	2006	01.11.2014	CIBOR ₃	1.10%	5	2.60%	3	84,800	82,139
Total subordinated loans								563,534	606,070
Hereof included in Capital Base DKK 432.5 million (2011: DKK 497.3 million).									
DKK	2009	Perpetual	Fixed	11.11%	5	-	-	106,211	97,815
Total hybrid capital								106,211	97,815
Hereof included in Capital Base DKK 106.2 million (2011: DKK 97.8 million).									
DKK	2010	2015	Var.	6.00%	5	-	-	201,888	198,627
Total guaranteed capital								201,888	198,627
Hereof included in Capital Base DKK 201.9 million (2011: DKK 198.6 million).									
Total subordinated debt								871,633	902,512

Subordinated debt consists of liabilities in the form of subordinated loan capital, guaranteed capital and hybrid capital. In case of the Group's voluntary or compulsory winding-up the subordinated loans will not be repaid until the claims of ordinary creditors have been met. The ranking in coverage is that guaranteed capital ranks below hybrid capital and hybrid capital ranks below subordinated loan capital. Early redemption of subordinated debt is subject to the approval of the Danish Financial Supervisory Authority.

Hybrid capital is redeemable between 24 November 2012 and 23 November 2014 at a price of 100 plus interest, and from 24 November 2014 to 23 November 2015 at a price of 105. The hybrid capital may be redeemed at a price of 110 after 24 November 2015.

Guaranteed capital can only be redeemed by the guarantors if child saving accounts or pension accounts reach the end of their retention period or similar event before the maturity of guaranteed capital in 2015.

NOTES – SAXO BANK GROUP

Note

32 Share capital

(Numbers of shares outstanding)	Ordinary shares	Preference shares	Total
Shares issued at 1 January 2011	63,619,186	2,928,012	66,547,198
Shares issued during the year	51,015	-	51,015
Preference shares converted to ordinary shares	2,928,012	(2,928,012)	-
Total shares issued at 31 December 2011	66,598,213	-	66,598,213
Shares issued during the year	-	-	-
Total shares issued at 31 December 2012	66,598,213	-	66,598,213

At 31 December 2012 a total of 66,598,213 shares with a nominal value of DKK 1 per share are fully paid (2011: 66,598,213 shares). At 31 December 2012 all shares carry the same rights.

In May 2011 Saxo Bank A/S issued 51,015 shares at an average price of DKK 122 per share to the holders of warrants who exercised outstanding warrants, Share-based payments note 10.

Holding of treasury shares	Number of shares ('000)	Nominal value DKK (1,000)	Percentage of ordinary shares	Sales/pur- chase price DKK (1,000)
Holding at 1 January 2011	-	-	-	-
Returned in business combinations	56,296	56,296	0.08	8,699
Sold	(29,106)	(29,106)	(0.04)	(4,130)
Holding at 31 December 2011	27,190	27,190		
Purchased for business combinations	11,342	11,342	0.02	1,642
Consideration in business combinations	(38,532)	(38,532)	(0.06)	(5,580)
Returned in business combinations	44,290	44,290	0.07	6,843
Holding at 31 December 2012	44,290	44,290		

(DKK 1,000)	2012	2011
Dividends declared and paid to the shareholders of Saxo Bank A/S		
Interim dividend declared in May 2011, DKK 0.9047 per share	-	60,205
Interim dividend declared in August 2011, DKK 1.1697 per share	-	77,900
Interim dividend declared in October 2011, DKK 1.62144 per share	-	107,985
Total dividend declared	-	246,090

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

33 Expected due dates

	2012		2011	
	< 1 year	> 1 year	< 1 year	> 1 year
Assets				
Cash in hand and demand deposits with central banks	2,748,647	-	1,364,841	-
Receivables from credit institutions and central banks	2,447,546	14,082	6,877,240	69,399
Trading assets	14,512,759	392,737	12,520,105	412,629
Loans and advances at amortised cost	587,183	1,173,659	719,061	971,338
Investment securities	-	89,226	-	59,800
Current tax assets	21,198	-	66,623	-
Assets held for sale	25,019	-	7,851	-
Investment in associates and joint ventures	-	319,401	-	287,949
Intangible assets	249,197	2,017,326	140,152	1,946,861
Investment properties	-	5,432	-	19,407
Tangible assets	89,929	1,050,751	78,594	979,052
Deferred tax assets	20,193	95,342	1,535	138,360
Other assets	260,508	-	357,415	-
Total assets	20,962,179	5,157,956	22,133,417	4,884,795
Liabilities				
Debt to credit institutions and central banks	1,604,468	397,517	2,723,243	413,201
Trading liabilities	2,507,208	89,563	2,689,423	76,027
Deposits	15,632,263	818,868	14,089,138	780,097
Issued bonds at amortised cost	-	-	-	849,618
Current tax liabilities	36,623	-	21,695	-
Deferred tax liabilities	62,347	155,851	128,661	194,955
Provisions	19,612	38,676	75,137	31,506
Other liabilities	521,000	-	802,968	-
Subordinated debt	60,524	811,109	39,489	863,023
Total liabilities	20,444,045	2,311,584	20,569,754	3,208,427

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

34 Contractual due dates

The following table analyses the contractual cash flows payable for the Group's financial liabilities including issued guarantees and other unutilised commitments by remaining, earliest possible contractual maturities on an undiscounted basis. Interest payments are based on market conditions at 31 December. Cash flows are expected to vary significantly from this analysis e.g. deposits as clients are required to maintain certain levels of deposits with the Group. Cash flows from issued bonds at amortised cost and subordinated debt are based on interest rates currently valid from 31 December.

The financial liabilities balances in the table do not agree to the balances reported in the consolidated statement of financial position as they incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

2012	On demand	Within 3 months	From 3-12 months	From 1-5 years	More than 5 years	Total
Debt to credit institutions and central banks	1,587,556	2,544	19,088	62,231	371,850	2,043,269
Deposits	15,336,672	96,949	204,456	138,649	738,324	16,515,050
Subordinated debt	-	5,213	28,113	470,635	556,062	1,060,023
Total financial liabilities	16,924,228	104,706	251,657	671,515	1,666,236	19,618,342
Guarantees	67,074	31,610	54,897	51,151	165,792	370,524
Loan commitments etc.	1,478	75,262	148,646	266,450	83,150	574,986
Total	16,992,780	211,578	455,200	989,116	1,915,178	20,563,852

2011

Debt to credit institutions and central banks	2,708,185	2,689	16,846	74,652	379,832	3,182,204
Deposits	13,793,579	86,211	216,837	173,598	693,195	14,963,420
Issued bonds at amortised cost	-	3,414	11,952	855,334	-	870,700
Subordinated debt	-	6,581	32,390	558,151	571,581	1,168,703
Other financial liabilities	9,991	27,199	-	-	-	37,190
Total financial liabilities	16,511,755	126,094	278,025	1,661,735	1,644,608	20,222,217
Guarantees	148,979	42,380	47,628	31,134	143,424	413,545
Loan commitments etc.	2,539	68,941	124,463	223,265	123,970	543,178
Total	16,663,273	237,415	450,116	1,916,134	1,912,002	21,178,940

Derivative financial instruments notional and net fair value is specified by maturity in the Risk Management section on page 97 and 98. Most of the derivative financial instruments are short term and management believes that the net fair value best represents the cash flow that would have to be paid if positions had to be closed out.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

35 Acquisition of businesses

Acquisitions in 2012

Lembex Trading and Marketing Services Ltd., Lembex Global Investments Ltd. and NVN Securities S.A.

On 2 April 2012 the Group acquired 100% of the shares in Lembex Trading and Marketing Services Ltd. in Israel and Lembex Global Investments Ltd. in Malta. The acquisitions are a strategic step as they give access to the MT4 segment.

On 1 September 2012 the Group acquired 100% of the shares in NVN Securities S.A. in Uruguay. The acquisition is a strategic step as it provided instant access to the markets in Latin America.

Total consideration for the acquisitions was DKK 28.7 million. The consideration consists of cash DKK 20.1 million, treasury shares DKK 5.6 million and contingent consideration DKK 3.0 million. Following recognition of identifiable assets, liabilities and contingent assets at their fair value, the goodwill related to the acquisitions has been measured at DKK 25.2 million. The goodwill represents the value of the expected future profits in the acquired businesses which cannot be attributed to individually identifiable assets, including workforce and know-how.

The acquisitions made in 2012 are of a size not requiring detailed disclosure.

Adjustments to previous years acquisitions

Contingent considerations decreased by DKK 6.8 million due to settlement of earn-outs. The change in estimates of contingent considerations is recognised as an adjustment to goodwill.

Acquisitions in 2011

Euroinvestor.com A/S

On 4 April 2011 the Group acquired a further 28% stake in Euroinvestor.com A/S and thereby obtained control of Euroinvestor.com A/S. After the acquisition the Group owned 69% of the share capital (a step acquisition). Following the acquisition the Group has acquired further 3% of the share capital from non-controlling interests. Previously the investment in Euroinvestor.com A/S was accounted for as an investment in associates and recognised using the equity method.

The website Euroinvestor.com is an investor community with real time information about shares, currencies, bonds, mutual funds etc. The Group views the investment in Euroinvestor.com A/S as an important foundation for its focus on investor communities and intends to expand Euroinvestor.com A/S' activities.

Revaluation gain on previously held ownership interest in Euroinvestor.com A/S acquired in a step acquisition:

Fair value of previously held ownership interest	83,639
Carrying amount of previously held ownership interest	54,114
Revaluation gain	29,525

The revaluation gain of DKK 29.5 million is recognised in Other income.

In the period from the acquisition date to 31 December 2011, Euroinvestor.com A/S contributed with operating income of 17.3 DKK million and negative net profit of DKK 1.8 million.

Acquisition of New Street Brokers (Pty) Ltd. and Logos Commodities Pty.

On 13 September 2011 the Group acquired 100% of the share capital in New Street Brokers (Pty) Ltd. (renamed Saxo Capital Markets (South Africa) Pty Ltd.) a broker in South Africa. The acquisition is a strategic step as it provided instant access to the markets in South Africa.

On 15 December 2011 the Group acquired 100% of the share capital in Logos Commodities Pty. Ltd. that holds 100% of the share capital in Commodity Broking Services Pty. Ltd. (renamed Saxo Capital Markets (Australia) Pty Ltd.) a white label client in Australia. The acquisition is a strategic step as it provided further direct access to the markets in Australia.

Due to the size of the acquired companies the acquisitions are shown in aggregate.

In the period from the acquisition date to 31 December 2011, the companies contributed with operating income of DKK 0.3 million and negative net profit of DKK 1.2 million.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

35 Acquisition of businesses · continued

Acquisitions made in 2011 had the following effect on the Group's assets and liabilities at the acquisition date:

2011	Euro-investor.com A/S	Other ¹⁾	Total acquisitions
Cash	76,931	15,825	92,756
Contingent consideration	-	23,871	23,871
Fair value of previously held ownership interest	83,639	-	83,639
Total consideration	160,570	39,696	200,266

Recognised amount of identifiable assets and liabilities

Cash in hand and demand deposits with central banks	3,343	54	3,397
Receivables from credit institutions and central banks	-	10,896	10,896
Trading assets	23,116	-	23,116
Intangible assets	32,778	1,013	33,791
Trade receivables	6,039	882	6,921
Other assets	2,209	1,860	4,069
Deferred tax liabilities	(7,318)	-	(7,318)
Other liabilities	(4,801)	(13,045)	(17,846)
Total identifiable net assets	55,366	1,660	57,026

Goodwill	123,501	38,036	161,537
Non-controlling interests	(18,297)	-	(18,297)

¹⁾New Street Brokers (Pty) Ltd., Logos Commodities Pty. Ltd. and Commodity Broking Services Pty. Ltd.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

35 Acquisition of businesses · continued

The goodwill of DKK 161.5 million arising from the acquisitions represents the value of the expected future profits profitability in the acquired businesses which cannot be attributed to individually identifiable assets, including workforce and know-how.

Part of the consideration in regards to other acquisitions is contingent and is to be paid based on the result in the acquired companies. Based on the expected future performance DKK 23.9 million is expected to be paid.

In the identifiable net assets from acquired entities are trade receivables included with a fair value of DKK 6.9 million which equals the gross contractual amount for receivables.

Non-controlling interests in Euroinvestor.com A/S are measured at the proportionate interest in the recognised amount of the identifiable net assets of the acquiree, which means that goodwill recognised only relates to the controlling interest acquired.

The Group incurred acquisition costs of DKK 8.7 million related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in Staff costs and administrative expenses.

Adjustments to previous years' acquisitions

In 2011 a final settlement was made in regards to an earn-out for the acquisition of Initto A/S completed in 2010. A gain of DKK 5.0 million is recognised in Other income.

Contingent considerations decreased by DKK 17.4 million due to revised estimates of earn-outs. The change in estimates of contingent considerations is recognised as an adjustment to goodwill.

A number of minor adjustments related to various acquisitions are recognised as an adjustment to goodwill.

Pro forma operating income and net profit 2011

Assuming all acquisitions in the year were included as per 1 January 2011 the Group's Operating income is estimated to DKK 3,540 million and net profit to DKK 619 million.

36 Transactions with non-controlling interests

	2012	2011
Paid/received	(1,361)	(12,081)
Proportionate share of equity acquired/disposed	500	2,391
Other changes in proportionate share of equity due to other capital movements	538	(405)
Difference recognised directly in equity	(323)	(10,095)

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

37 Accounting classifications and fair values (financial assets and liabilities)

The accounting classifications and fair values can be specified as follows:

2012	Fair value through profit and loss			Total carrying amount	Fair value
	Held for trading	Designated	Amortised cost		
Financial assets					
Cash in hand and demand deposits with central banks	-	-	2,748,647	2,748,647	2,748,647
Receivables from credit institutions and central banks	-	-	2,461,628	2,461,628	2,461,628
Trading assets	14,905,496	-	-	14,905,496	14,905,496
Loans and advances at amortised cost	-	-	1,760,842	1,760,842	1,716,885
Investment securities	-	89,226	-	89,226	89,226
Total	14,905,496	89,226	6,971,117	21,965,839	21,921,882
Financial liabilities					
Debt to credit institutions and central banks	-	-	2,001,985	2,001,985	2,001,985
Trading liabilities	2,596,771	-	-	2,596,771	2,596,771
Deposits	-	-	16,451,131	16,451,131	16,451,131
Subordinated debt	-	-	871,633	871,633	786,808
Total	2,596,771		19,324,749	21,921,520	21,836,695
2011					
Financial assets					
Cash in hand and demand deposits with central banks	-	-	1,364,841	1,364,841	1,364,841
Receivables from credit institutions and central banks	-	-	6,946,639	6,946,639	6,946,639
Trading assets	12,932,734	-	-	12,932,734	12,932,734
Loans and advances at amortised cost	-	-	1,690,399	1,690,399	1,646,448
Investment securities	-	59,800	-	59,800	59,800
Total	12,932,734	59,800	10,001,879	22,994,413	22,950,462
Financial liabilities					
Debt to credit institutions and central banks	-	-	3,136,444	3,136,444	3,136,444
Trading liabilities	2,765,450	-	-	2,765,450	2,765,450
Deposits	-	-	14,869,235	14,869,235	14,871,790
Issued bonds at amortised cost	-	-	849,618	849,618	850,187
Subordinated debt	-	-	902,512	902,512	667,388
Total	2,765,450		19,757,809	22,523,259	22,291,259

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

37 Accounting classifications and fair values (financial assets and liabilities) · continued

The Group measures fair values using the following fair value hierarchy, that reflects the significance of the inputs used in making the measurements.

Level 1 – Quoted market price

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Observable input

Valuation techniques based on inputs, other than quoted prices included within level 1, that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level covers derivatives valued on the basis of observable yield curves or spot rates.

Level 3 – Non-observable input

Valuation techniques based on inputs for the assets or liabilities that are not based on observable market data. This level covers unlisted equities and bonds, and valuation is primarily based on generally accepted valuation techniques.

Fair values of financial assets and liabilities that are traded in active markets between knowledgeable, willing parties are based on quoted market prices. These financial assets and liabilities are recognised in level 1. If quoted prices for financial instruments fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established using valuation techniques.

Valuation techniques range from discounted cash flow analysis to complex option pricing models. The models are based on observable prices to the widest extent possible, but can also apply unobservable model parameters.

The Group applies valuation techniques for certain CFD derivatives, FX forwards, OTC options, unlisted trading portfolio of assets and liabilities and unlisted investment securities. In most cases the valuation is substantially based on observable input, such as interbank quoted prices and implied volatility. The most frequently used valuation and estimation techniques include the pricing of transactions with future settlement, swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes.

The valuation of unlisted equities and bonds is based substantially on non-observable input using discounted cash flows, discounted dividend models or other generally accepted estimation and valuation techniques.

2012	Level 1	Level 2	Level 3	Total
Trading assets	11,781,292	3,120,648	3,556	14,905,496
Investment securities	-	-	89,226	89,226
Total financial assets	11,781,292	3,120,648	92,782	14,994,722

Trading liabilities	(582,500)	(2,014,271)	-	(2,596,771)
Total financial liabilities	(582,500)	(2,014,271)	-	(2,596,771)

2011

Trading assets	8,993,028	3,926,021	13,685	12,932,734
Investment securities	-	-	59,800	59,800
Total financial assets	8,993,028	3,926,021	73,485	12,992,534

Trading liabilities	(382,967)	(2,382,483)	-	(2,765,450)
Total financial liabilities	(382,967)	(2,382,483)	-	(2,765,450)

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
37 Accounting classifications and fair values (financial assets and liabilities) · continued			
Financial assets and liabilities valued on the basis of non-observable input			
Fair value at 1 January		73,485	77,337
Fair value adjustments recognised in the income statement ¹⁾		2,370	(13,834)
Additions		36,782	9,982
Disposals		(19,855)	-
Fair value at 31 December		92,782	73,485

¹⁾ Hereof DKK 2.4 million (2011: DKK -13.8 million) related to financial assets and liabilities held at 31 December 2012.

38 Hedge accounting

Hedge of net investments

The Group hedges the exchange rate risk of net investments in certain foreign entities by establishing hedge relationships between its net investment in foreign entities and currency derivatives or a non-derivative currency financial liability designated as the hedging instruments. The Group does not hedge the entities' expected income or other future transactions. At 31 December 2012, the carrying amount of net investment in entities hedged amounted to DKK 989 million (2011: DKK 1,004 million) and the corresponding fair value of the hedging instrument amounted to DKK 989 million (2011: DKK 1,004 million).

Cash flow hedge

The Group hedges its exposure to variability in future cash flows due to changes in interest rates on the Group's mortgage debt with a variable interest rate by establishing a hedge relationship between the debt and interest swaps designated as the hedging instruments. At 31 December 2012, the carrying amount of mortgage hedged amounted to DKK 378 million (2011: DKK 391 million) and the fair value of the hedging instrument amounted to DKK 90 million and nominal value DKK 89 million (2011: DKK 76 million and nominal value DKK 76 million).

The time periods in which the hedged cash flows are expected to occur and affect the consolidated statement of comprehensive income are as follows:

	2012	2011
Cash inflows		
Within 1 year	4,720	4,477
1-5 years	20,110	21,485
Over 5 years	16,454	19,799
Cash outflows		
Within 1 year	(18,180)	(18,694)
1-5 years	(78,387)	(82,891)
Over 5 years	(71,750)	(85,425)

During 2012 losses of DKK 13.9 million (2011: DKK 11.8 million) relating to cash flow hedge were transferred from equity to profit or loss and are reflected in Interest expense. At 31 December 2012 net losses of DKK 14 million (2011: DKK 49 million) relating to the cash flow hedges were recognised in other comprehensive income.

NOTES – SAXO BANK GROUP

Note	(DKK 1,000)	2012	2011
39 Operational leasing			
Future operating lease payments			
Within 1 year		56,999	54,905
From 1-5 years		66,517	69,975
More than 5 year		1,096	-
Total		124,612	124,880

The Group is the lessee in a number of operating leases, involving mainly leasing of office premises, car leasing and other.

Operating lease expenses recognised in the income statement in 2012 amounts to DKK 72.0 million (2011: DKK 63.9 million).

40 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2012, the following shareholders are registered directly or indirectly as holders of more than 5% of the share capital of Saxo Bank A/S:

Fournais Holding A/S, DK-2850 Nærum, Denmark.
Lars Seier Christensen Holding A/S, DK-1264 Copenhagen, Denmark.
TPG Capital, TX-76102 Fort Worth, United States.

(DKK million)	Parties with significant influence		Board of Directors		Associates		Joint ventures	
	2012	2011	2012	2011	2012	2011	2012	2011
Deposits (liabilities)	18	8	65	66	1	-	-	-
Software development	-	-	-	-	17	3	-	-
Administrative services etc.	-	-	-	-	-	-	1	-
Dividend from Saxo Bank A/S ¹⁾	-	226	-	-	-	-	-	-

¹⁾Dividend to parties with significant influence includes payments to significant shareholders at time of declaration.

Parties with significant influence include shareholders with holdings exceeding 20% of Saxo Bank A/S.

Board of Management is due to their significant ownership in Saxo Bank A/S through their holding companies included in Parties with significant influence.

Remuneration to Board of Directors and Board of Management is disclosed in note 9 Staff costs and administrative expenses.

Saxo Bank A/S nor any Group companies have provided any loans, pledges or guarantees to any member of Saxo Bank A/S' Board of Directors or Board of Management or to persons related to these.

All transactions and agreements with related parties are settled on an arms-length basis.

NOTES – SAXO BANK GROUP

Note (DKK 1,000)

41 Assets deposited as collateral

Of the Group's bond holdings nominal EUR 451 million (2011: EUR 433 million), with a fair value of DKK 3.4 billion (2011: DKK 3.2 billion), are tied up with institutions with full right of disposal for the Group. The bonds serve as security for the Group's ongoing financial business with the individual institution. The actual demand for collateral varies from day to day with the development in the open positions and were in total 89% (2011: 69%) of the fair value of the bond holdings provided as security at 31 December 2012.

Of the Group's deposits with investment brokers, banks and other credit institutions, DKK 800 million (2011: DKK 265 million) have likewise been provided as security for the Group's ongoing financial business.

The Group has deposited bonds nominal 40 million (2011: 0 million) with a fair value of DKK 40.2 million as security for an interest swap.

Debt to credit institutions is secured by mortgage deed of DKK 477 million on the Group's domicile property (2011: DKK 477 million).

	2012	2011
42 Contingent and other contractual commitments		
Guarantees		
Financial guarantees	90,693	129,916
Mortgage finance guarantees	107,902	91,744
Registration and remortgaging guarantees	17,815	44,279
Other guarantees	154,114	147,606
Total guarantees	370,524	413,545
Loan commitments etc.		
Other unutilised credit facilities	574,986	543,178
Total loan commitments etc.	574,986	543,178
Other contractual commitments		
Other contractual commitments excl. operating leases	174,641	191,990
Total other contractual commitments	174,641	191,990

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

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

The Group has guaranteed to participate in a capital increase in CPH Capital Fondsmæglerselskab A/S up to DKK 7.4 million in 2013.

Note 39 provides information about the future operating lease payments.

NOTES – SAXO BANK GROUP

Note (1,000)

43 Group subsidiaries

		Currency	Result	Equity	Ownership
Financial institutions					
Capital Four Management Fondsmæglerselskab A/S, Denmark	DKK	1,563	8,013	100%	
Global Evolution Fondsmæglerselskab A/S, Denmark	DKK	(29)	17,703	51%	
Saxo Bank Dubai Ltd., Dubai	USD	346	8,573	100%	
Saxo Banque France SAS, France	EUR	1,931	9,940	100%	
Saxo Bank FX Securities K.K., Japan	JPY	52,422	909,042	100%	
Saxo Bank (Switzerland) AG, Switzerland	CHF	15,744	57,642	100%	
Saxo Capital Markets Agente de Valores S.A., Uruguay (consolidated from 1 September 2012)	UYU	(1,752)	5,169	100%	
Saxo Capital Markets BV, Netherland	EUR	(5)	24	100%	
Saxo Capital Markets CY Limited, Cyprus	EUR	-	-	100%	
Saxo Capital Markets HK, Hong Kong	HKD	(7,094)	21,402	100%	
Saxo Capital Markets Menkul Degerler Anonim Sirketi, Turkey (consolidated from 24 May 2012)	TRY	-	-	90%	
Saxo Capital Markets Pty Ltd., Australia	AUD	(113)	5,485	100%	
Saxo Capital Markets Pte. Ltd., Singapore	SGD	23,295	103,481	100%	
Saxo Capital Markets S.A., Panama	USD	-	-	100%	
Saxo Capital Markets SA Ltd., South Africa	ZAR	(1,775)	6,611	100%	
Saxo Capital Markets UK Ltd., UK	GBP	-	-	100%	
Saxo Privatbank A/S, Denmark	DKK	(93,027)	104,929	99%	
SBSF Ltd., UK	GBP	8	(100)	100%	
Other					
Ejendomsselskabet Bygning 119 A/S, Denmark	DKK	1,519	5,711	100%	
Euroinvestor.com A/S, Denmark	DKK	15,050	45,843	72%	
I.I.Real Estate A/S, Denmark	DKK	(118)	(1,108)	100%	
Initio A/S, Denmark	DKK	3,719	28,249	100%	
Lembex Trading and Marketing Services Ltd., Israel (consolidated from 2 April 2012)	ILS	(1,078)	(1,151)	100%	
Saxo Jet A/S, Denmark	DKK	(292)	(10,301)	100%	
Saxo Properties A/S, Denmark	DKK	(21,963)	(27,613)	100%	
Saxo Soft A/S, Denmark	DKK	1,952	(445)	100%	
Saxo Treasury A/S, Denmark	DKK	(27,964)	804,048	100%	

The information disclosed is extracted from the companies' most recent annual reports.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

The Group's overall risk framework is established by the Board of Directors through instructions and policies that set the scope for the Group's risk taking activities. The Board instructions determine risk limits for credit, market, liquidity and operational risks. In addition, the Board of Directors has issued a credit policy setting specific guidelines for managing counterparties and other relevant areas of credit risk.

The Board of Management applies the instructions and policies through an implemented risk management framework. The on-going monitoring and control of the risks is delegated to the Group's Risk Director and carried out in the risk management department.

The Group 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
- Portfolio, fund and asset management to retail and professional clients
- Classic bank services in Denmark, primarily to retail clients, hereunder bank accounts and debit/credit cards, mortgage credit, bank advice services and pension products

During the year, the Board of Directors monitors and adjusts the Group's overall risk parameters for market risks such as foreign exchange, equities, commodities and interest related products, as well as credit risks such as margin levels and counterpart exposure limits, in response to changes in market conditions and trading volumes. The Board of Directors approves specified thresholds for each type of risk.

Risk exposure

The Group is exposed to a number of risks which can be categorised as follows:

- Credit risk: The risk of loss due to counterparties of the Group failing to fulfil their agreed obligations
- Market risk: The risk of loss due to movements in market risk factors
- Liquidity risk: The risk of being unable to meet obligations as they fall due
- Operational risk: The risk of loss resulting from inadequate or failed processes, people or systems

Management's Report and the Risk Report 2012 provide additional information about the Group's risk management approach. Risk Report 2012 is available for download from the Group's website at <http://www.saxoworld.com/investorrelations/icaap-and-risk-reports>. The Risk Report is not covered by the statutory audit.

CREDIT RISK

Credit risk is defined as the risk of counterparties of the Group failing to fulfil their agreed obligations.

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.

The corporate loan portfolio is diversified based on geography and industry sectors.

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 mitigative intervention in due time to avoid any credit loss situation occurring.

The Group is exposed to five main sources of credit and counterparty risk as described below.

Margin sufficiency

Credit risk arises as a result of losses sustained by the counterparty on margin trading. This risk is monitored on a real-time basis, both automatically and manually, with the execution of risk mitigative intervention in due time to avoid credit loss situations.

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.

Retail bank 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. As part of this process, the Group strives to ensure that each facility matches the credit quality and financial position of the client.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

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.

Interest bearing assets

Credit risk arises as a result of the Group's placements of funds with credit institutions or in bills and 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.

Credit risk exposure

The Group's credit risk exposure consists of 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.

Breakdown of credit risk exposure without taking collateral into account

2012	Credit risk, lending activities	Counter- party risk, derivatives	Credit risk, investing activities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	-	-	2,748,647	2,748,647
Receivables from credit institutions and central banks	-	-	2,461,628	2,461,628
Trading assets	-	4,540,745	10,364,751	14,905,496
Loans and advances at amortised cost before impairment	1,948,090	-	-	1,948,090
Investment securities	-	-	89,226	89,226
Credit exposure before impairment	1,948,090	4,540,745	15,664,252	22,153,087
Impairment loans and advances	(184,391)	-	-	(184,391)
Credit exposure in statement of financial position	1,763,699	4,540,745	15,664,252	21,968,696
Off-balance items				
Guarantees	370,524	-	-	370,524
Other unutilised credit facilities	574,986	-	-	574,986
Impairment for off-balance items	(2,857)	-	-	(2,857)
Credit exposure off-balance items	942,653	-	-	942,653
Total credit exposure net of impairment	2,706,352	4,540,745	15,664,252	22,911,349

The Group has in addition granted credit facilities in regards to stock loans and short selling. For stock loans the unutilised credit facilities amount to DKK 0.38 billion and short selling facilities DKK 0 billion as per 31 December 2012. The credit facilities can only be utilised, if required collateral is provided and can be terminated on demand.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Breakdown of credit risk exposure without taking collateral into account

2011	Credit risk, lending activities	Counter- party risk, derivatives	Credit risk, investing activities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	-	-	1,364,841	1,364,841
Receivables from credit institutions and central banks	-	-	6,973,469	6,973,469
Trading assets	-	4,982,196	7,950,538	12,932,734
Loans and advances at amortised cost before impairment	1,846,692	-	-	1,846,692
Investment securities	-	-	59,800	59,800
Credit exposure before impairment	1,846,692	4,982,196	16,348,648	23,177,536
Impairment loans and advances	(151,783)	-	-	(151,783)
Impairment receivables from credit institutions and central banks	-	-	(26,830)	(26,830)
Credit exposure in statement of financial position	1,694,909	4,982,196	16,321,818	22,998,923
Off-balance items				
Guarantees	413,545	-	-	413,545
Other unutilised credit facilities	543,178	-	-	543,178
Impairment for off-balance items	(4,510)	-	-	(4,510)
Credit exposure off-balance items	952,213	-	-	952,213
Total credit exposure net of impairment	2,647,122	4,982,196	16,321,818	23,951,136

The Group has in addition granted credit facilities in regards to stock loans and short selling. For stock loans the unutilised credit facilities amount to DKK 1.60 billion and short selling facilities DKK 1.06 billion as per 31 December 2011. The credit facilities can only be utilised, if required collateral is provided and can be terminated on demand.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT EXPOSURE RELATING TO LENDING ACTIVITIES

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 relating to lending activities is managed 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.

The client's creditworthiness is classified into six different rating categories, where category 1-3 covers outstanding, good or standard clients, while category 4 covers clients that show some weakness. Category 5-6 covers weak clients that need increased attention.

Category 6 includes clients with individually impaired loans and advances. Due to the borrower's significant financial difficulties where the loan is deemed uncollectable or the expected proceeds from collateral will not be sufficient to cover the credit exposure.

Credit exposure broken down by rating category

Loans, advances, guarantees and off balance sheet commitments that involve credit risk are classified into the following six rating categories.

2012	Maximum credit exposure	Individual impairment	Exposure before collateral	Collateral held	Remaining exposure
1 Outstanding clients	400,313	-	400,313	263,397	136,916
2 Good clients	421,145	-	421,145	78,929	342,216
3 Standard clients	1,466,051	-	1,466,051	260,055	1,205,996
4 Clients that show some weakness	179,528	-	179,528	22,896	156,632
5 Weak clients that need increased attention	92,051	-	92,051	11,960	80,091
6 Clients with impairment	334,512	183,005	151,507	17,985	133,522
Total before collective impairment	2,893,600	183,005	2,710,595	655,222	2,055,373
Collective impairment	-	4,243	(4,243)	-	(4,243)
Total	2,893,600	187,248	2,706,352	655,222	2,051,130

2011

1 Outstanding clients	440,186	-	440,186	369,096	71,090
2 Good clients	416,626	-	416,626	134,623	282,003
3 Standard clients	1,357,416	-	1,357,416	219,039	1,138,377
4 Clients that show some weakness	172,706	-	172,706	27,351	145,355
5 Weak clients that need increased attention	124,911	-	124,911	14,963	109,948
6 Clients with impairment	189,569	153,477	36,092	7,456	28,636
Total before collective impairment	2,701,414	153,477	2,547,937	772,528	1,775,409
Collective impairment	-	2,816	(2,816)	-	(2,816)
Total	2,701,414	156,293	2,545,121	772,528	1,772,593

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)	2012	2011
Credit exposure broken down by sector, industry and geography (%)		
Corporate sector		
Agriculture, hunting, forestry and fisheries	3%	4%
Industry and extraction of raw materials	2%	1%
Buildings and construction	2%	2%
Trading	3%	2%
Transport, hotels and restaurants	2%	1%
Finance and insurance	5%	1%
Real estate	6%	4%
Other businesses	10%	7%
Total corporate sector	32%	22%
Private clients	68%	78%
Total credit exposure loans, advances, guarantees, etc. net of impairment	100%	100%
Hereof related to clients in foreign countries	8%	7%

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Collateral held against lending activities

An essential element of the Group's credit policy is to reduce risk in the loan portfolio by requiring collateral. The Group continuously assesses the value of the current market value of the collaterals. For the most common types of collateral the Group has its own valuation models that estimate the value. For collateral types where no valuation models exist, the valuation is done manually. The value of the collateral is assessed at the current estimated market value including a haircut. Haircut is an estimation of the cost that would occur at a forced sale. For property the haircut depends on property type, condition, location etc.

The main categories of collateral are shown in the table below. Clients' collateral is included up to the amount of debt it covers.

2012	Investment brokers and trading clients	Lending clients	Total
Credit exposure net of impairment	377,630	2,328,722	2,706,352
Collateral			
Cash	1,004	7,331	8,335
Exchange traded equities, bonds and mutual funds	206,024	34,642	240,666
Property	-	264,183	264,183
Other	-	142,038	142,038
Total collateral	207,028	448,194	655,222
Total unsecured credit exposure lending activities	170,602	1,880,528	2,051,130

2011

Credit exposure net of impairment	369,640	2,175,481	2,545,121
Collateral			
Cash	60,059	6,277	66,336
Exchange traded equities, bonds and mutual funds	305,748	112,663	418,411
Property	-	230,527	230,527
Other	-	57,254	57,254
Total collateral	365,807	406,721	772,528
Total unsecured credit exposure lending activities	3,833	1,768,760	1,772,593

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)	2012	2011
Impairment for loans, advances and guarantees		
Individual impairment for loans, advances and guarantees		
Impairment at 1 January	153,477	91,616
Impairment	49,889	95,276
Reversals of impairment from previous years	(6,679)	(29,689)
Other	1,230	(1,231)
Loss written off	(41,742)	(2,495)
Transferred from receivables from credit institutions and central banks	26,830	-
Individual impairment for loans, advances and guarantees at 31 December	183,005	153,477
Collective impairment for loans, advances and guarantees		
Impairment at 1 January	2,816	3,853
Impairment	1,427	-
Reversals of impairment from previous years	-	(1,037)
Collective impairment for loans, advances and guarantees at 31 December	4,243	2,816

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Past due loans and advances but not impaired

2012		Investment brokers and trading clients	Lending clients	Total
From 1 day to 1 month		5,295	82,118	87,413
From 1-3 months		572	3,532	4,104
More than 3 months		14,991	4,626	19,617
Total past due loans and advances but not impaired		20,858	90,276	111,134

2011

From 1 day to 1 month	2,283	27,603	29,886
From 1-3 months	406	3,142	3,548
More than 3 months	50,466	5,111	55,577
Total past due loans and advances but not impaired	53,155	35,856	89,011

Credit quality of loans and advances neither past due nor impaired

2012		Investment brokers and trading clients	Lending clients	Total
1 Outstanding clients		199,851	77,253	277,104
2 Good clients		-	173,844	173,844
3 Standard clients		-	886,115	886,115
4 Clients that show some weakness		-	117,188	117,188
5 Weak clients that need increased attention		-	61,121	61,121
Total loans and advances neither past due nor impaired		199,851	1,315,521	1,515,372

2011

1 Outstanding clients	270,947	77,664	348,611
2 Good clients	-	190,152	190,152
3 Standard clients	-	804,463	804,463
4 Clients that show some weakness	-	143,394	143,394
5 Weak clients that need increased attention	-	93,439	93,439
Total loans and advances neither past due nor impaired	270,947	1,309,112	1,580,059

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

CREDIT EXPOSURE RELATING TO COUNTERPARTY AND INVESTING ACTIVITIES

Credit exposure due to counterparty and investing activities comprises receivables from credit institutions and central banks, derivative financial instruments with positive fair value and bonds.

Counterparties consist of financial institutions such as banks, brokers, clearinghouses etc, which are part of the Group's daily financial trading or investment activities. The Group's credit granting is based on insight into the counterparty's financial position as well as continuous monitoring of the counterparties' financial state in order to assess whether the conditions for the credit granting have changed.

Receivables from credit institutions and central banks and demand deposits with central banks broken down by credit rating category

2012	Credit institutions	Central banks	Total
AAA	113,091	2,735,142	2,848,233
AA+	231,071	-	231,071
AA-	572,124	-	572,124
A+	589,692	-	589,692
A	590,693	-	590,693
A-	204,263	-	204,263
BBB+	117,726	-	117,726
BBB-	37	-	37
Sub-investment grade or unrated	42,931	-	42,931
Total	2,461,628	2,735,142	5,196,770

2011

AAA	873,979	5,327,018	6,200,997
AA+	21,188	-	21,188
AA	555,979	-	555,979
AA-	469,278	-	469,278
A+	208,925	-	208,925
A	399,761	-	399,761
A-	228,064	-	228,064
BBB	39,921	-	39,921
BBB-	96	-	96
Sub-investment grade or unrated	174,460	-	174,461
Total	2,971,651	5,327,018	8,298,669

Rating AAA includes the Group's receivable from Postfinance AG. Postfinance AG is a fully owned Swiss subsidiary of Swiss Post which again is fully owned by the Government of Switzerland. Postfinance AG is not rated by a public recognised rating bureau. The Group's internal rating of Postfinance AG is 1, equivalent to rating AAA.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Receivables from credit institutions and central banks and demand deposits with central banks broken down by geography

2012	Credit institutions	Central banks	Total
Denmark	591,858	1,656,363	2,248,221
Europe, excluding Denmark	1,490,249	1,078,741	2,568,990
USA	94,204	-	94,204
Australia	3,071	-	3,071
Asia	282,246	-	282,246
Other	-	38	38
Total	2,461,628	2,735,142	5,196,770

2011

Denmark	599,663	4,539,450	5,139,113
Europe, excluding Denmark	1,243,230	787,568	2,030,798
USA	272,316	-	272,316
Australia	106,734	-	106,734
Asia	745,200	-	745,200
Other	4,508	-	4,508
Total	2,971,651	5,327,018	8,298,669

	2012	2011
Impairment for receivables from credit institutions and central banks		
Impairment at 1 January	26,830	45,255
Reversal of impairment during the year	-	(17,756)
Exchange rate adjustments	-	(669)
Transferred to loans, advances and guarantees	(26,830)	-
Impairment for receivables from credit institutions and central banks at 31 December	-	26,830

No receivables from credit institutions or central banks are considered past due, but not impaired (2011: DKK 0 million). No collateral is received from credit institutions and central banks (2011: DKK 0 million).

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)	2012	2011
Derivative financial instruments with positive fair value		
Currency contracts	2,902,877	3,532,166
Interest rate contracts	18,347	20,393
Equity contracts	1,444,273	1,224,067
Commodity contracts	171,247	205,570
Derivative financial instruments with positive fair value	4,540,744	4,982,196
Netting and collateral offset (under capital adequacy rules)	(4,030,895)	(4,543,672)
Net current exposure	509,849	438,524

Most of the Group's clients are trading against the provision of collateral. Accepted collateral includes cash, on-demand bank guarantees, bonds, stocks, mutual funds and exchange traded funds. Clients trading on credit and without any collateral follow the Group's credit granting process. Both types of clients are included in the Group's ongoing statement of client exposures and are monitored continuously. The Group has systems put in place which ensure that position increasing activities cannot be carried out and margin calls are made in case of breach of the agreed limits. Ultimately, open positions may be liquidated in order to cover a potential margin deficit or credit facility.

The Group incurs credit exposures to financial counterparties related to unrealised profits on derivative exposures as part of its investment activities. Financial counterparties follow the Group's counterpart credit valuation and granting process. Large engagements with financial counterparties are explicitly approved by the Board of Directors, whom also set the credit limits. ISDA standardised agreements are entered with financial counterparties as applicable.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Bond portfolio broken down by rating category

2012	Danish mortgage bonds	Government bonds	Corporate bonds	Other bonds	Total
AAA	830,055	1,936,297	-	33	2,766,385
AA+	-	5,566,394	-	-	5,566,394
Other investment grade	795,518	1,216,144	299	6,671	2,018,632
Sub-investment grade or unrated	-	-	4,202	2,075	6,277
Total	1,625,573	8,718,835	4,501	8,779	10,357,688

2011

AAA	2,424,469	5,451,029	-	-	7,875,498
Other investment grade	8,997	-	5,061	-	14,058
Sub-investment grade or unrated	-	-	21,131	20,492	41,623
Total	2,433,466	5,451,029	26,192	20,492	7,931,179

Bonds with no rating are mainly attributable to structured bonds and unrated corporate bonds.

Bond portfolio broken down by geography

2012	Danish mortgage bonds	Government bonds	Corporate bonds	Other bonds	Total
Denmark	1,625,573	5,483	3,496	2,075	1,636,627
Europe, excluding Denmark	-	2,180,504	1,005	6,704	2,188,213
USA	-	6,532,848	-	-	6,532,848
Total	1,625,573	8,718,835	4,501	8,779	10,357,688

2011

Denmark	2,433,466	51,568	7,828	12,185	2,505,047
Europe, excluding Denmark	-	5,106,906	18,067	-	5,124,973
USA	-	292,555	297	8,307	301,159
Total	2,433,466	5,451,029	26,192	20,492	7,931,179

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

MARKET RISK

Market risk is defined as the risk of loss due to movements in market prices on risk factors such as foreign exchange, equities, commodities and interest rates. Market risk arises from handling the client flow in the market maker functions or from proprietary positions in the Group's treasury activities. The objective of Market Risk Management is to manage and control market risk exposures within the Board given mandate.

The Board of Directors has set limits for the different risk factor types via the Board instructions; these are allocated within the Group's subsidiaries and subsequently trading organisation. The limits are monitored by the risk management department and utilisation is reported back to the Board of Directors.

Sensitivity analysis for each type of market risk for the Group is disclosed below. This information is supported by VaR information for part of the market risk in the Group.

	2012	2011
Foreign currency risk		
Assets in foreign currency, total	17,984,982	18,400,984
Liabilities in foreign currency, total	16,344,504	17,836,562
Foreign currency indicator 1	1,387,344	2,620,385
Foreign currency indicator 1 is the higher of the sum of long foreign currency positions or the sum of short foreign currency positions.		
Foreign currency indicator 2	32,005	76,960
Foreign currency indicator 2 is calculated on the basis of variances and covariances published by the Danish FSA on the basis of the last 3 years' rolling 10-day periods. A foreign currency indicator 2 equal to DKK 32.0 million (2011: 77.0 million) means, that if the Group does not change foreign currency positions in the following 10 days, there is a 1 per cent probability that the Group will have a capital loss greater than DKK 32.0 million (2011: DKK 77.0 million).		
Interest rate risk		
Interest rate risk on financial instruments included in trading portfolio	21,985	25,175
Interest risk on bonds not included in trading portfolio	-	16,569
Interest rate risk on loans not included in the trading portfolio	(35,391)	(34,306)
Total interest rate risk	(13,406)	7,438

Interest rate risk is calculated by a parallel shift in the interest rate curve with one percentage point.

An interest rate increase/decrease on the items not included in the trading portfolio of one percentage point will result in a profit/loss of DKK 35.4 million (2011: DKK 17.7 million).

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Equity risk

The risk of loss due to movements in market risk factors is based on the net position of long and short positions in equities including associates and equity contracts. Purchase price adjustments for associates are not included.

The Group has certain equities not held for trading, which are strategic banking industry investments which support part of the retail bank activities.

Fair value of equities and notional amounts of equity contracts are disclosed as follows:

	2012	2011
Long positions, net	456,461	439,834
<i>hereof equity contracts</i>	321,022	267,929
Short positions, net	24,425	100,419
<i>hereof equity contracts</i>	9,471	91,944
Net positions	432,036	339,415
<i>hereof equity contracts</i>	311,550	175,985

Equity risk is calculated by an increase/decrease of 5% (2011: 5%) in equity values and for equity contracts the notional amounts which will result in a profit/loss of DKK 15.2 million (2011: DKK 26.1 million).

Commodity price risk

The Group's commodity price risk is disclosed as part of the VaR information.

Risk weighted items according to the standard method for market risk

2012	Group	Of which is covered by VaR positions ¹⁾
Foreign currency risk	1,387,344	1,251,435
Interest rate risk	501,613	331,204
Equity price risk	458,026	346,007
Commodity price risk	83,365	83,365
Total	2,430,348	2,012,011
2011		
Foreign currency risk	2,620,385	2,604,948
Interest rate risk	470,216	208,600
Equity price risk	325,028	297,074
Commodity price risk	44,933	44,933
Total	3,460,562	3,155,555

¹⁾ VaR positions are disclosed on page 95.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Trading and investment services

The Group operates its trading and investment business using the Group's online investment trading platforms. This entails a trade execution flow which allows for market-making functions in selected instruments. Other traded instruments supported by the Bank are offered on a hedged basis.

The market risk of the trading portfolios is quantified and monitored against a number of exposure, loss and Value-at-Risk limits.

Exposure and loss limit utilisations are monitored on an ongoing basis and reported at five minute intervals, while Value-at-Risk limit utilisation is evaluated on an end-of-day basis.

Exposure limits are both set according to the underlying asset class, and also on a more granular level differentiating between different risk profiles within a single asset class.

Exposure limits on foreign exchange are segmented into more granular levels based on instrument characteristics such as market availability, liquidity and volatility. On foreign exchange options limits are also set on the Greeks: delta, gamma, vega and theta. Such limits assure that the different risk elements (underlying price, volatility and time-decay) from options are considered and monitored.

Exposure limits on equities are set on gross, net and single to cater for both market movements and concentration risk. Exposure limits on commodities are also set on gross, net and single. The single level is furthermore broken into tenors to avoid concentration risk in specific time buckets.

Loss limits are set on a single day basis and on a five day rolling basis, and relative to the underlying asset class and exposure mandate.

The Value-at-Risk (VaR) is the estimated loss that potentially could arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR limit framework used by the Group is based upon a 95% confidence and assumes a 1 day holding period. The VaR model used is based on Monte Carlo simulations to account for non-linear instruments.

VaR is deemed to be a good basis for comparing and monitoring risk across different asset classes. However, the model is based on certain assumptions that should be noted:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for highly illiquid markets
- A 95% confidence level does not reflect losses that may occur beyond this level
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios

	2012	2011
VaR position		
Foreign currency risk	2,141	10,694
Interest rate risk	603	1,527
Equity price risk	2,729	3,933
Commodity price risk	261	314
Total VaR	4,298	11,963

To supplement VaR a stress testing framework is implemented. Based on the most important risk factors in terms of exposures and VaR contributors, a number of stress tests have been constructed to determine the Group's vulnerability to large unexpected changes in these risk factors.

Furthermore, a set of stress tests replicating changes experienced in known historical events are also performed.

The VaR development in 2012 is a consequence of the Group's changed trade flow handling strategy.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Derivative financial instruments

	2012		2011		2012		2011									
	No. of contracts	Net fair value	No. of contracts	Net fair value	Fair value Positive	Fair value Negative	Fair value Positive	Fair value Negative								
Currency contracts																
Forwards/futures purchased	24,311,919	(291,477)	38,606,160	8,411	174,349	(465,826)	998,023	(989,612)								
Forwards/futures sold	22,197,953	360,827	33,604,014	725,646	478,281	(117,454)	1,014,320	(288,674)								
Options purchased	35,803,324	(263,816)	43,741,408	830,490	444,246	(708,062)	953,017	(122,528)								
Options written	26,345,883	387,113	37,532,818	(472,461)	557,742	(170,629)	212,028	(684,489)								
Interest rate contracts																
Forwards/futures purchased	5,165,108	(2,274)	3,796,153	18,954	5,377	(7,651)	19,228	(274)								
Forwards/futures sold	5,162,904	4,458	3,995,953	(12,119)	12,401	(7,942)	1,165	(13,284)								
Options purchased	368,979	(299)	-	-	135	(434)	-	-								
Options written	368,979	306	-	-	434	(128)	-	-								
Swaps	427,563	(89,563)	427,563	(75,681)	-	(89,563)	-	(75,681)								
Equity contracts																
Forwards/futures purchased	15,932,099	518,353	8,608,227	111,565	869,371	(351,019)	271,634	(160,069)								
Forwards/futures sold	15,288,967	422,362	9,180,368	768,469	564,657	(142,295)	952,433	(183,964)								
Options purchased	305,856	(14,244)	-	-	-	(14,244)	-	-								
Options written	305,856	14,244	-	-	14,244	-	-	-								
Commodity contracts																
Forwards/futures purchased	5,275,735	87,412	3,551,350	(21,960)	112,306	(24,893)	44,110	(66,070)								
Forwards/futures sold	5,191,179	5,199	3,634,935	128,723	51,346	(46,147)	161,460	(32,736)								
Options purchased	160,733	(7,588)	-	-	4	(7,592)	-	-								
Options written	160,733	7,588	-	-	7,592	(4)	-	-								
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Unsettled spot transactions																
Currency contracts																
Foreign exchange, transactions purchased	43,428,153	69,882	9,278,728	(847)	387,604	(317,722)	108,735	(109,582)								
Foreign exchange, transactions sold	45,737,196	735,489	9,616,673	207,556	860,656	(125,167)	246,043	(38,487)								
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485		(2,153,883)									
Total	805,371		206,709		1,248,260		(442,889)									
Total	1,138,601		2,010,037		3,292,485											

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Derivative financial instruments – specified by maturity

2012	Within 3 months		3-12 months		1-5 years		> 5 years	
	No. of contracts	Notional amount						
Currency contracts								
Forwards/futures purchased	17,849,388	(323,747)	6,462,531	32,270	-	-	-	-
Forwards/futures sold	16,653,472	237,224	5,544,481	123,604	-	-	-	-
Options purchased	30,222,261	(231,574)	5,481,063	(32,242)	-	-	-	-
Options written	21,159,214	248,567	5,184,515	138,448	2,154	98	-	-
Interest rate contracts								
Forwards/futures purchased	4,350,408	(2,065)	222,658	34	592,043	(243)	-	-
Forwards/futures sold	4,348,620	3,833	222,509	114	591,775	511	-	-
Options purchased	363,933	(299)	2,195	-	2,851	-	-	-
Options written	363,933	306	2,195	-	2,851	-	-	-
Swaps	-	-	-	-	-	-	427,563	(89,563)
Equity contracts								
Forwards/futures purchased	15,880,755	520,983	40,621	(585)	7,050	(1,091)	3,674	(955)
Forwards/futures sold	15,237,143	420,212	40,757	449	7,369	771	3,697	931
Options purchased	271,167	(9,638)	34,271	(4,471)	418	(135)	-	-
Options written	271,167	9,638	34,271	4,471	418	135	-	-
Commodity contracts								
Forwards/futures purchased	3,830,676	57,855	1,358,274	27,115	86,785	2,442	-	-
Forwards/futures sold	3,728,760	19,124	1,375,825	(11,675)	86,594	(2,250)	-	-
Options purchased	141,825	(4,376)	17,641	(2,882)	1,268	(330)	-	-
Options written	141,825	4,376	17,641	2,882	1,268	330	-	-

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Derivative financial instruments – specified by maturity

2011	Within 3 months		3-12 months		1-5 years		> 5 years	
	No. of contracts	Notional amount						
Currency contracts								
Forwards/futures purchased	31,404,033	195,326	6,307,772	(197,532)	894,355	10,616	-	-
Forwards/futures sold	31,337,112	660,083	2,266,902	65,563	-	-	-	-
Options purchased	29,845,583	296,052	13,893,708	534,370	2,117	67	-	-
Options written	24,472,395	3,234	13,055,206	(475,640)	5,217	(55)	-	-
Interest rate contracts								
Forwards/futures purchased	2,524,099	17,718	789,436	862	482,618	374	-	-
Forwards/futures sold	2,581,386	(10,816)	931,608	(978)	482,958	(325)	-	-
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	427,563	(75,681)
Equity contracts								
Forwards/futures purchased	8,541,636	111,744	58,428	(439)	5,799	135	2,364	125
Forwards/futures sold	9,113,313	767,872	58,759	731	5,863	(75)	2,432	(60)
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-
Commodity contracts								
Forwards/futures purchased	2,472,675	(6,049)	1,058,827	(16,111)	19,848	200	-	-
Forwards/futures sold	2,551,336	80,090	1,065,496	49,592	18,103	(958)	-	-
Options purchased	-	-	-	-	-	-	-	-
Options written	-	-	-	-	-	-	-	-

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

LIQUIDITY RISK

The Group operates with a liquidity pool available at all times in the form of unencumbered, highly liquid securities and cash instruments to address the estimated potential cash needs during a liquidity crisis. The Group acknowledges the value of flexibility and the balance between the counterparty risks associated with holding cash during a liquidity crisis, and the importance of being liquid during the first period of a liquidity crisis.

The Group operates with the following main liquidity objectives:

- The Group has the capacity to fulfill all payment obligations as and when they fall due – to their full extent and in the currency required
- The Group continues as a going concern under its current business model in case of increasing cost of funding or even lack of funding
- Prevent the Group's cost of funding rises to disproportionate levels

Operational liquidity risk

On a contractual basis the Group has more obligations due on demand or within a short time frame than assets held by the Group maturing on demand or within a short timeframe. In order to address this mismatch it is the policy of the Group to hold a buffer at all times in cash or cash-like securities to meet any outgoing demands based on reasonable estimates. Furthermore, it is the Group's policy to keep an appropriate liquidity pool available at all times to meet any other payment obligations in due time.

Liquidity stress testing

It is the policy of the Group to update, maintain and execute stress tests on the liquidity on an ongoing basis. The methods and scenarios are 1) client and partner funds withdrawal, 2) adverse interest rate curve shifts, 3) prepayment on any outstanding loans or credit facilities and 4) business impairment resulting in client funds growth standstill. The scenarios include both individual stress and collected aggregated adverse movements against liquidity.

Through the monthly reporting to the Board of Management and the Danish FSA the assumptions and scenarios are reviewed and updated upon necessary judgment.

Structural liquidity risk

It is the policy of the Group to operate with a viable liquidity contingency plan which outlines the chain of command in event of liquidity crisis, a precise definition of how and when a liquidity issue may arise – including scenarios of 1) client deposit withdrawals, 2) adverse interest rate curve shift, 3) funds unchanged throughout the specified period 4) other unspecified events.

The contingency plan, which is continuously maintained and developed, outlines early warning signs containing threshold indicators which, upon breach, will notify the Group Treasury Department, who is responsible for escalating the matter accordingly to the chain of command.

Funding sources

The primary source of funding for the Group is client deposits. A part of this is used to service the Group's lending book as well as the Group's margin trading with counterparties. Secondary funding sources are loans, credit facilities, REPOS and accumulated earnings. The Group does not need nor require obtain external funding in the normal course of business.

In a general market crisis or specific bank crisis, the Group can access liquidity through a reallocation of its investments to demand deposits and/or halt business growth to such an extent that collateral placed with business partners, which consists mainly of short term, highly liquid Government debt securities, are available.

Liquidity – regulatory requirements

In addition to the regulatory capital requirement the Group are subject to regulatory liquidity requirements. The liquidity shall amount to no less than:

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

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.

The Group met the regulatory liquidity requirements throughout the year 2012. The regulatory liquidity requirement for the Group including the 50% additional requirement was DKK 3.81 billion (2011: DKK 3.95 billion). The Group's liquidity as of 31 December 2012 to cover this requirement was DKK 12.03 billion (2011: DKK 12.40 billion).

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

In addition the Danish Financial Supervisory Authority expects all Danish banks to hold a “funding-ratio” below 1 end year 2012. The “funding-ratio” is loans divided by the sum of deposits, subordinated debt and equity.

The “funding-ratio” for the Group as of 31 December 2012 was 8.5%.

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

OPERATIONAL RISK

Operational risk is inherent in all business activities and cannot be completely eliminated. Furthermore, operational risk has no material upside in terms of return/income generation, which means that the Group cannot in general expect to gain a higher expected return by assuming more operational risk. Therefore, the overall objective of operational risk management is to identify material risks and to mitigate them where feasible and to the extent economically reasonable.

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

The operational risk appetite is defined as the level of residual risk, which reflect the portion of the risk that is left after mitigating measures have been conducted, tolerated by the Group in the pursuit of its business objectives. In general, the Group has 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 therefore the Group focuses on mitigating these types of risk.

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.

Collection and registration of data

Management ensures that procedures and tools are implemented pertaining to ensure a systematic identification, collection and classification of operational risk events across the Group.

The mapping of the Group’s operational risk landscape is based on internal and external historical data, internal risk assessment and external expert reports. Therefore, the following techniques for collecting operational risk events are used and documented and 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 a loss register on a daily basis. Potential losses and near miss events are also captured in the loss 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
- Information on external operational risk events occurring in the banking industry are systematically utilised to ensure the completeness of the Group’s risk landscape

Assessment

The risk assessment includes a systematic evaluation of risk events in terms of probability and impact based on expected loss frequency, i.e. how often an event occurs, and expected loss on average, i.e. the average cost of an event when it occurs. Each risk event is evaluated in light of implemented mitigating measures/controls. Control failures are captured and evaluated similar to other risk events.

Risk events based on external data are assessed and evaluated in cooperation with internal parties through workshops.

In addition, for all loss events in the loss register, the Group determines the actual loss, i.e. the loss that an actual event resulted in, and potential loss, i.e. the highest loss that an actual event could have resulted in.

To determine the Group’s capital requirements in the context of 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 one year horizon. Assumptions are made on confidence levels as well as on the correlation between the various events.

NOTES – RISK MANAGEMENT – SAXO BANK GROUP

(DKK 1,000)

Management and Mitigation

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

- **Insurance coverage:** Insurance coverage is used to ensure appropriate coverage 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.
- **Controls:** Controls are in place to prevent or detect material risk events. Implementation and improvements of controls are based on a cost benefit analysis.

Reporting

Operational risk errors with material impacts, direct and indirect losses 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 to the Board of Directors enabling the Board of Directors to and make any 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.

Policy

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

CAPITAL BASE

Capital base – regulatory requirements

Saxo Bank A/S and the Group are both subject to Danish regulatory capital requirements and therefore need to comply with the capital requirements of the Danish Financial Business Act. The rules are based on the EU capital requirements directives. The Group's financial subsidiaries in and outside Denmark must comply with Danish or local capital requirements. The ICAAP is determined in accordance with the Danish FSA's new Pillar I + guideline, which became effective as of end 2012.

The Group reports each quarter in regards to the capital requirements to the Danish Financial Supervisory Authority.

The Group must hold a capital base 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 weighted assets. The calculation of the ICAAP result is based on an internal process during which management assesses 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.

As of 31 December 2012, the capital base for the Group was DKK 1.71 billion after inclusion of net profit for the year, compared with DKK 1.82 billion at the end of 2011. The capital base decrease is related to greater increase in goodwill on acquisitions and investments in IT development than the increase in equity from profit after dividend payments. As of 31 December 2012, the Group's ICAAP result showed a capital requirement of DKK 1.3 billion.

The Group met the regulatory capital requirements throughout the year 2012.

The statement of Capital base on page 38 provides a specification of the capital base including Core Tier 1 capital and Tier 1 capital, and note 31 Subordinated debt provides a specification of guaranteed capital and subordinated capital which is recognised in the capital base.

The Group is continuously monitoring its capital adequacy in order to ensure compliance with current and expected future capital requirements, including the CRD IV draft regulation. The Group has a capital contingency plan which contains a contingency plan for deviations from expectations and decisions of what should happen in case of unexpected events.

Reporting, ICAAP and Risk Report

Under Danish law Saxo Bank A/S must publish the result of its Internal Capital Adequacy Assessment Process (ICAAP) every quarter. The unaudited reports are available at www.saxoworld.com/investorrelations.

The unaudited Risk Report (Pillar III report) 2012 specifies the Risk Weighted Assets and is available at www.saxoworld.com/investorrelations.

NOTES – KEY FIGURES AND RATIOS – SAXO BANK GROUP

(DKK 1,000)	IFRS			Danish GAAP	
	2012	2011	2010	2009	2008
Key figures					
Net interest, fees and commissions	934,631	873,786	676,400	223,539	(417,739)
Price and exchange rate adjustments	2,031,754	2,653,073	2,661,694	2,003,963	2,935,930
Staff costs and administrative expenses	(2,508,063)	(2,498,552)	(2,230,328)	(1,736,706)	(1,855,438)
Impairment charges for receivables, loans, advances etc. ¹⁾	(39,947)	(48,392)	(14,022)	(45,692)	(53,912)
Income from associates and joint ventures	19,635	9,024	11,050	988	-
Net profit	80,892	617,750	643,513	201,351	339,217
Loans and advances at amortised cost	1,760,842	1,690,399	1,989,898	92,159	85,286
Subordinated debt	871,633	902,512	941,977	409,283	409,362
Total equity	3,364,506	3,240,031	2,880,040	2,335,103	1,416,721
Total assets	26,120,135	27,018,212	22,437,694	15,210,534	10,456,072
Average number of employees	1,522	1,413	964	927	1,297
Ratios					
Solvency ratio	13.5%	14.5%	16.5%	19.0%	17.5%
Tier 1 capital ratio	10.1%	10.8%	12.9%	14.9%	11.6%
Return before tax on Total equity	4.6%	27.7%	35.0%	14.4%	37.3%
Return after tax on Total equity	2.4%	20.2%	24.7%	10.7%	27.0%
Income proportional to cost	1.05	1.31	1.37	1.14	1.23
Interest rate risk	1.1%	0.5%	10.1%	5.1%	1.6%
Foreign exchange rate risk / Tier 1 capital	109.2%	193.1%	68.2%	145.7%	423.4%
Value at risk of foreign exchange rate risk / Tier 1 capital	2.5%	5.7%	1.2%	4.4%	4.8%
Loans, advances and provisions / Deposits	11.8%	12.4%	13.1%	1.0%	1.3%
Loans and advances proportional to Total equity	0.5	0.5	0.7	0.0	0.1
Growth of loans and advances ²⁾	4.2%	(15.1)%	2,059.5%	8.1%	(27.8)%
Additional liquidity / liquidity requirement	437.4%	441.4%	432.3%	764.5%	741.9%
The total of large engagements / Capital Base	-	47.3%	36.8%	14.0%	31.5%
Loss and provisions ratio (loans and advances)	1.2%	3.8%	0.6%	7.5%	3.4%

¹⁾ Includes contributions related to the loss guarantee to the Danish Private Contingency Association until 2010.

²⁾ The significant increase in 2010 is caused by the acquisition of Saxo Privatbank A/S (former Brørup Sparekasse A/S).

See page 103 for definitions.

The consolidated figures for 2010-2012 are prepared in accordance with International Financial Reporting Standards (IFRS). Consolidated figures for 2008-2009 are prepared in accordance with the Danish Financial Business Act. Comparative figures for 2008-2009 are not restated. The impact on these figures is assessed not to be material.

NOTES – DEFINITIONS OF KEY FIGURES AND RATIOS

Solvency ratio

The solvency ratio measures Capital base as a percentage of risk weighted items.

Tier 1 capital ratio

Total equity including Net profit less Intangible assets including goodwill in associates, Proposed dividend and Deferred tax assets as a percentage of risk weighted items.

Return before tax on Total equity

Profit before tax as a percentage of average Total equity.

Return after tax on Total Equity

Net profit as a percentage of average Total equity.

Income proportional to cost

Operating income plus Other income, Income from associates and joint ventures and Income from subsidiaries proportional to Staff costs and administrative expenses plus Depreciation, amortisation and impairment of intangible and tangible assets plus Other expenses and impairment charges for loans, advances etc.

Interest rate risk

Interest rate risk under market risk as a percentage of Tier 1 capital.

Foreign exchange rate risk / Tier 1 capital

Foreign exchange rate risk as a percentage of Tier 1 capital.

Value at risk / Tier 1 capital base

Value at risk of foreign exchange rate risk as a percentage of Tier 1 capital.

Loans, advances and provisions / Deposits

Loans and advances gross (before provisions) as a percentage of Deposits.

Loans and advances proportional to Total equity

Loans and advances proportional to Total equity.

Growth of Loans and advances

Increase in loans and advances as a percentage of the previous financial year.

Additional liquidity/liquidity requirement

Cash in hand and demand deposits with central banks plus Receivables from credit institutions and central banks plus Bonds at fair value, less the liquidity requirement (see below) as a percentage of the liquidity requirement.

Liquidity requirement

10 % of Total assets plus Guarantees, less Total equity and Subordinated loans.

The total of large engagements / Capital base

Large engagements as a percentage of Capital base.

Loss and provisions ratio

Loss and provisions for bad debt on Loans and advances as a percentage of Loans and advances plus Guarantees.

PARENT COMPANY

– SAXO BANK A/S

INCOME STATEMENT – SAXO BANK A/S
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2012	2011
2	Interest income	799,736	749,627
3	Interest expense	(117,210)	(132,968)
	Net interest income	682,526	616,659
4	Fee and commission income	886,713	910,944
5	Fee and commission expense	(1,604,384)	(1,537,798)
	Net interest, fees and commissions	(35,145)	(10,195)
6	Price and exchange rate adjustments	2,052,912	2,684,750
	Operating income	2,017,767	2,674,555
7	Other income	94,446	84,539
8, 9	Staff costs and administrative expenses	(1,707,836)	(1,768,858)
10	Depreciation, amortisation and impairment of intangible and tangible assets	(330,029)	(155,874)
	Other expenses	(4,407)	(288)
	Impairment charges for receivables, loans, advances etc.	(14,670)	(31,041)
	Income from associates, subsidiaries and joint ventures	45,239	43,670
	Profit before tax	100,510	846,703
11	Tax	(32,937)	(228,155)
	Net profit	67,573	618,548
	Proposed allocation of net profit		
	Equity method reserve	(333,498)	(340,935)
	Retained earnings	401,071	959,483
	Total	67,573	618,548

STATEMENT OF COMPREHENSIVE INCOME – SAXO BANK A/S
1 JANUARY – 31 DECEMBER

Note	(DKK 1,000)	2012	2011
	Net profit	67,573	618,548
	Other comprehensive income		
	Exchange rate adjustments	11,479	35,727
25	Hedge of net investments in foreign entities	(8,696)	(23,657)
	Other comprehensive income from subsidiaries, net of tax	38,826	(36,890)
	Other comprehensive income from associates, net of tax	5,390	-
11	Tax on other comprehensive income	2,174	5,915
	Total other comprehensive income	49,173	(18,905)
	Total comprehensive income	116,746	599,643

STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S
AT 31 DECEMBER

Note	(DKK 1,000)	2012	2011
ASSETS			
	Cash in hand and demand deposits with central banks	1,258,954	101,076
12	Receivables from credit institutions and central banks	1,487,976	4,679,133
13,14	Loans and advances at amortised cost	489,623	404,004
15	Bonds at fair value	8,094,954	5,476,254
	Equities	9,694	13,649
16	Investments in associates and joint ventures	318,412	286,910
17	Investments in subsidiaries	1,837,819	2,280,225
18	Intangible assets	2,219,646	2,025,135
19	Tangible assets	161,025	129,461
	Tax receivables	20,991	8,296
22	Deferred tax assets	438	190
	Other assets	4,648,970	5,130,734
	Prepayments	64,231	59,039
	Total assets	20,612,733	20,594,106

STATEMENT OF FINANCIAL POSITION – SAXO BANK A/S
AT 31 DECEMBER

Note	(DKK 1,000)	2012	2011
LIABILITIES			
20	Debt to credit institutions and central banks	2,832,444	4,275,044
21	Deposits	10,885,476	8,978,434
	Tax liabilities	878	21,072
	Other liabilities	2,894,317	3,305,104
	Total debt	16,613,115	16,579,654
22	Deferred tax liabilities	209,741	291,454
23	Other provisions	45,276	91,230
	Total provisions	255,017	382,684
24	Subordinated debt	410,314	408,933
EQUITY			
	Share capital	66,598	66,598
	Equity method reserve	85,239	372,673
	Retained earnings	3,182,450	2,783,564
	Total equity	3,334,287	3,222,835
	Total equity and liabilities	20,612,733	20,594,106

STATEMENT OF CHANGES IN EQUITY – SAXO BANK A/S
AT 31 DECEMBER

(DKK 1,000)	Share capital	Equity method reserve	Retained earnings	Total
Equity 1 January 2012	66,598	372,673	2,783,564	3,222,835
Net profit	-	(333,498)	401,071	67,573
Other comprehensive income				
Exchange rate adjustments	-	11,479	-	11,479
Hedge of net investments in foreign entities	-	(8,696)	-	(8,696)
Other comprehensive income from subsidiaries, net of tax	-	38,826	-	38,826
Other comprehensive income from associates, net of tax	-	5,390	-	5,390
Tax on other comprehensive income	-	2,174	-	2,174
Total other comprehensive income	-	49,173	-	49,173
Total comprehensive income	-	(284,325)	401,071	116,746
Transactions with owners				
Share-based payments	-	-	720	720
Treasury shares	-	-	(2,905)	(2,905)
Other capital movements	-	(3,109)	-	(3,109)
Equity 31 December 2012	66,598	85,239	3,182,450	3,334,287

As at 31 December 2012, the share capital consisted of 66,598,213 (2011: 66,598,213) shares with a nominal value of DKK 1. Holding of treasury shares is disclosed in note 32 Share capital in the consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY – SAXO BANK A/S
AT 31 DECEMBER

(DKK 1,000)	Share capital	Equity method reserve	Retained earnings	Total
Equity 1 January 2011	66,547	737,580	2,066,030	2,870,157
Net profit	-	(340,935)	959,483	618,548
Other comprehensive income				
Exchange rate adjustments	-	35,727	-	35,727
Fair value adjustment of cash flow hedges in subsidiaries, net of tax	-	(36,890)	-	(36,890)
Hedge of net investments in foreign entities	-	(23,657)	-	(23,657)
Tax on other comprehensive income	-	5,915	-	5,915
Total other comprehensive income	-	(18,905)	-	(18,905)
Total comprehensive income	-	(359,840)	959,483	599,643
Transactions with owners				
Share-based payments	-	-	2,400	2,400
Dividend paid to shareholders	-	-	(246,090)	(246,090)
Dividend treasury shares	-	-	139	139
Increase in share capital	51	-	6,171	6,222
Treasury shares in business combinations	-	-	(8,699)	(8,699)
Treasury shares	-	-	4,130	4,130
Other capital movements	-	(5,067)	-	(5,067)
Equity 31 December 2011	66,598	372,673	2,783,564	3,222,835

STATEMENT OF CAPITAL BASE – SAXO BANK A/S
AT 31 DECEMBER

(DKK 1,000)	2012	2011
Total shareholders' equity	3,334,287	3,222,835
Intangible assets ¹⁾	(2,412,967)	(2,220,450)
Deferred tax liabilities, intangible assets	209,741	223,386
Deferred tax assets	(438)	(190)
Core Tier 1 capital	1,130,623	1,225,581
Investments in associates (50%) ²⁾	(48,014)	(37,257)
Tier 1 capital	1,082,609	1,188,324
Subordinated loans, reduced value	373,013	390,345
Investments in associates (50%) ²⁾	(48,014)	(37,257)
Capital base	1,407,608	1,541,412
¹⁾ Including goodwill and other intangible assets from associates of DKK 193.3 million (2011: DKK 195.3 million).		
²⁾ Relate to investments in associates which are credit institutions, excluding goodwill.		
Risk weighted items		
Credit risk	3,882,434	4,001,046
Market risk	2,012,011	3,155,555
Operational risk	4,399,672	3,926,953
Total risk weighted items	10,294,117	11,083,554
Core Tier 1 capital ratio	11.0%	11.1%
Tier 1 capital ratio	10.5%	10.7%
Total Capital ratio, Solvency ratio	13.7%	13.9%

NOTES – SAXO BANK A/S

Note (DKK 1,000)

1 Accounting policies

The financial statements of Saxo Bank A/S has been prepared in accordance with the Danish Financial Business Act and the Danish executive order on financial reports for credit institutions and investment companies, etc. dated 31 March 2012. The accounting policies for Saxo Bank A/S are the same as for the Saxo Bank Group, note 1 to the consolidated financial statements, with the exception of the items below.

Comparative figures

Trading deposits placed by Financial institutions were in the annual report 2011 classified in the statement of financial position as Deposits. These deposits are in 2012 reclassified to Debt to credit institutions and central banks. The comparative figures have therefore been changed with DKK 4.22 billion at 31 December 2011. Besides this certain minor changes have been made in the comparative figures for 2011 due to reclassification.

Operating income

Operating income is not split on geographical markets. The underlying market conditions do not vary as the products and services are offered through online trading platforms.

Investments in subsidiaries

Investments in subsidiaries are measured in accordance with the equity method, which means that the investments are measured at the parent company's proportionate share of the net asset value of the subsidiaries at the reporting date. Profit or loss from investments in subsidiaries represents the share of the profit and loss after tax. The net revaluation is recognised in equity under Equity method reserve.

Acquisitions of non-controlling interests in subsidiaries are accounted for as additional investments. If the cost of the investment exceeds the net asset value the excess amount is recognised as goodwill. Gain or losses on disposal of non-controlling interests are recognised in the income statement.

Derivative financial instruments

Derivative financial instruments with a positive fair value are recognised as Other assets while Derivative financial instruments with a negative fair value are recognised as Other liabilities.

Equity method reserve

The equity method reserve comprises value adjustments of equity investments in subsidiaries, associates and joint ventures according to the equity method. The reserves are reduced by the dividends distributed to Saxo Bank A/S, and other movements in the shareholders' equity of the investments, or if the equity investments are realised in whole or in part.

The format of the financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRS.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
2 Interest income			
Credit institutions and central banks	7,356	26,494	
Loans and advances	52,461	35,999	
Bonds	67,640	224,064	
Derivative financial instruments	671,671	463,070	
Other interest income	608	-	
Total interest income	799,736	749,627	
3 Interest expense			
Credit institutions and central banks	(18,376)	(15,642)	
Deposits	(27,008)	(23,094)	
Subordinated loans	(16,229)	(18,155)	
Derivative financial instruments	(53,325)	(75,241)	
Other interest expense	(2,272)	(836)	
Total interest expense	(117,210)	(132,968)	
4 Fee and commission income			
Trading with equities and derivative financial instruments	886,713	910,944	
Total fee and commission income	886,713	910,944	
5 Fee and commission expense			
Trading with equities and derivative financial instruments	(1,604,384)	(1,537,798)	
Total fee and commission expense	(1,604,384)	(1,537,798)	
6 Price and exchange rate adjustments			
Bonds	(54,290)	(128,022)	
Foreign exchange	1,681,984	2,427,871	
Derivative financial instruments	425,218	384,901	
Total price and exchange rate adjustments	2,052,912	2,684,750	
7 Other income			
Revaluation gain on step acquisition	-	29,525	
Rental income	5,886	6,547	
Administrative services	6,905	2,777	
Service agreements	41,374	32,696	
Other	40,281	12,994	
Total other income	94,446	84,539	

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
8 Staff costs and administrative expenses			
Staff costs		(840,017)	(846,518)
Administrative expenses		(867,819)	(922,340)
Total staff costs and administrative expenses		(1,707,836)	(1,768,858)

Staff costs			
Salaries		(685,464)	(683,938)
Share-based payments		(720)	(2,400)
Defined contribution plans		(63,144)	(59,540)
Social security expenses and financial services employer tax		(90,689)	(100,640)
Total staff costs		(840,017)	(846,518)

Average number of employees (converted into full-time equivalents)	793	732
--	-----	-----

Remuneration to Board of Directors and the Board of Management is disclosed in note 9 Staff costs and administrative expenses in the consolidated financial statements.

Share-based payments are described in note 10 Share-based payments in the consolidated financial statements.

Significant risk takers

Total remuneration to significant risk takers included in Staff costs amounts to DKK 143.7 million (2011: DKK 170.5 million). Saxo Bank A/S has 34 employees (2011:30) with significant influence on the Bank's risk profile determined based on the guidance in the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups. Remuneration to the 34 significant risk takers (2011: 30) consist of fixed remuneration DKK 143.7 million (2011: DKK 137.6 million) and variable remuneration DKK 0 million (2011: DKK 32.9 million). Saxo Bank has no pension obligations towards significant risk takers as their pension schemes are defined contribution plans. Variable remuneration is determined in accordance to the Bank's remuneration policy and is based on the performance of the individual person. Risk takers in controlling functions do not receive variable remuneration. Some of the significant risk takers participate in the warrant programme described in note 10 Share-based payments in the consolidated financial statements.

Disclosures according to the Danish executive order on remuneration policy and disclosure requirements on remuneration for financial undertakings and financial groups are available at the Group's website www.saxoworld.com. The disclosures are not covered by the statutory audit.

9 Audit fees		2012	2011
Fees for statutory audit		(2,341)	(2,486)
Fees for assurance engagements other than audit		(1,406)	(1,688)
Fees for tax advisory services		(1,634)	(1,163)
Fees for other services		(3,867)	(13,011)
Total audit fees		(9,248)	(18,348)

Related to audit firm appointed at the annual general meeting to perform statutory audit. Audit fees are included in administrative expenses.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011	
10 Depreciation, amortisation and impairment of intangible and tangible assets				
Intangible assets		(274,020)	(115,296)	
Tangible assets		(56,009)	(40,578)	
Total depreciation, amortisation and impairment of intangible and tangible assets	(330,029)	(155,874)		
11 Tax				
Current tax		(26,830)	(81,419)	
Changes in deferred tax		(6,690)	(137,732)	
Adjustments to previous years' tax		2,757	(3,089)	
Tax on total comprehensive income	(30,763)	(222,240)		
Of which is recognised in other comprehensive income		2,174	5,915	
Tax on profit recognised in the income statement	(32,937)	(228,155)		
Current Danish tax rate		25.0%	25.0%	
Effective tax rate		32.8%	26.9%	
Reconciliation of effective tax rate				
Profit before tax		100,510	846,703	
Tax using the current Danish tax rate		(25,128)	(211,676)	
Effect of tax rates in foreign jurisdiction		510	(479)	
Non tax-deductible expenses		(5,880)	(4,230)	
CFC taxation		(17,064)	(19,599)	
Effect of tax on income from subsidiaries and associates		11,868	10,918	
Adjustments related to previous years tax, net		2,757	(3,089)	
Total income tax expense recognised in income statement	(32,937)	(228,155)		
Tax recognised in other comprehensive income				
2012		Before tax	Tax	Net of tax
Exchange rate adjustments		11,479	-	11,479
Hedge of net investments in foreign entities		(8,696)	2,174	(6,522)
Other comprehensive income from subsidiaries, net of tax		38,826	-	38,826
Other comprehensive income from associates, net of tax		5,390	-	5,390
Total	46,999	2,174	49,173	
2011				
Exchange rate adjustments		35,727	-	35,727
Hedge of net investments in foreign entities		(23,657)	5,915	(17,742)
Other comprehensive income from subsidiaries, net of tax		(36,890)	-	(36,890)
Total	(24,820)	5,915	(18,905)	

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
12 Receivables from credit institutions and central banks			
Demand deposits		1,450,911	4,642,495
From 3-12 months		37,065	-
From 1-5 years		-	36,638
Total receivables from credit institutions and central banks		1,487,976	4,679,133
Receivables from credit institutions		1,487,976	904,133
Receivables from central banks		-	3,775,000
Total receivables from credit institutions and central banks		1,487,976	4,679,133
Receivables from credit institutions and central banks by geography			
Denmark		356,426	4,079,014
Europe, excluding Denmark		903,492	89,763
USA		104,523	258,437
Australia		8	67,287
Asia		123,527	184,632
Total receivables from credit institutions and central banks		1,487,976	4,679,133
13 Loans and advances at amortised cost			
Demand deposits:			
Investment brokers		4,390	18,442
Trading clients		162,863	57,052
Lending clients		-	1,180
Subsidiaries		322,370	327,330
Total loans and advances at amortised cost		489,623	404,004
Loans, advances and guarantees by sector and industry			
Finance and insurance		28%	13%
Other businesses		66%	73%
Total corporate sector		94%	86%
Private clients		6%	14%
Total loans, advances and guarantees		100%	100%

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
14 Impairment for receivables, loans, advances and guarantees			
Individual impairment, receivables from credit institutions and central banks			
Impairment at 1 January	26,830	45,255	
Exchange rate adjustments	-	(669)	
Reversals of impairment from previous years	-	(17,756)	
Transferred to loans, advances and guarantees	(26,830)	-	
Individual impairment, receivables from credit institutions and central banks at 31 December	-	26,830	
Individual impairment, loans, advances and guarantees			
Impairment at 1 January	50,732	17,729	
Impairment during the year	15,488	48,792	
Reversals of impairment from previous years	-	(15,789)	
Transferred from receivables from credit institutions and central banks	26,830	-	
Individual impairment, loans, advances and guarantees at 31 December	93,050	50,732	
Total receivables, loans, advances and guarantees with objective evidence of impairment before impairment. The amount does not include receivables, loans, advances and guarantees recognised at nil.	-	6,308	
Impairment	-	6,128	
Carrying amount net of impairment	-	180	
15 Bonds at fair value			
Quoted at NASDAQ OMX Nordic	160,696	264,467	
Quoted on other stock exchanges	7,934,258	5,211,787	
Total bonds at fair value	8,094,954	5,476,254	
16 Investments in associates and joint ventures			
Cost at 1 January	262,020	244,735	
Additions	7,681	70,572	
Transfer to investments in subsidiaries	-	(53,287)	
Cost at 31 December	269,701	262,020	
Revaluation at 1 January	24,890	9,364	
Share of profit	19,443	9,478	
Share of other comprehensive income	5,390	-	
Transfer to investments in subsidiaries	-	(568)	
Exchange rate adjustments	(1,012)	6,616	
Revaluation at 31 December	48,711	24,890	
Carrying amount at 31 December	318,412	286,910	

In note 22 in the consolidated financial statements information on impairment test is disclosed.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
17 Investments in subsidiaries			
Cost at 1 January		1,942,698	950,002
Transfer from investments in associates		-	53,287
Additions		330,861	1,203,401
Disposal		(95,751)	-
Dividend		(400,000)	-
Distribution of net assets		-	(106,555)
Goodwill related to acquisitions		(25,210)	(157,437)
Cost at 31 December		1,752,598	1,942,698
Revaluation at 1 January		337,527	719,960
Adjustment to previous years		-	(7,925)
Net profit		28,028	34,192
Dividend		(380,968)	(384,605)
Disposals		-	(4,000)
Transfer from investments in associates		-	568
Dilution of equity		-	600
Other comprehensive income, net of tax		38,826	(36,890)
Offsetting of loans		56,053	-
Other adjustments		(848)	(306)
Exchange rate adjustments		6,603	15,933
Revaluation at 31 December		85,221	337,527
Total investments in subsidiaries		1,837,819	2,280,225

Euroinvestor.com A/S is listed on the Danish stock exchange. Due to the stock exchange regulation consolidation of Euroinvestor.com A/S is based on public information available as per 30 September 2012 (2011: 30 September 2011).

In note 22 in the consolidated financial statements information on impairment test is disclosed.

In note 43 in the consolidated financial statements is disclosed information on Group subsidiaries.

NOTES – SAXO BANK A/S

Note (DKK 1,000)

18 Intangible assets

2012	Goodwill	Software under development	Software developed	Software purchased	Other	Total
Cost at 1 January	1,129,571	169,166	983,824	55,701	4,347	2,342,609
Additions	25,210	448,125	458	2,004	-	475,797
Additions from internal development	-	(474,812)	474,812	2,543	-	2,543
Disposals	(14,917)	-	-	(68)	-	(14,985)
Exchange rate adjustments	5,170	-	-	5	1	5,176
Cost at 31 December	1,145,034	142,479	1,459,094	60,185	4,348	2,811,140
Amortisation and impairment at 1 January	-	-	(274,425)	(40,603)	(2,446)	(317,474)
Amortisation	-	-	(216,212)	(6,853)	(1,087)	(224,152)
Impairment losses ¹⁾	(5,068)	-	(44,800)	-	-	(49,868)
Amortisation and impairment at 31 December	(5,068)	-	(535,437)	(47,456)	(3,533)	(591,494)
Carrying amount at 31 December	1,139,966	142,479	923,657	12,729	815	2,219,646
1) For details of impairment losses, see note 22 Impairment test in the consolidated financial statements.						
2011						
Cost at 1 January	978,582	250,470	381,703	38,606	4,347	1,653,708
Adjustment to previous years	-	7,729	-	-	-	7,729
Additions	157,437	513,088	-	17,262	-	687,787
Additions from internal development	-	(602,121)	602,121	-	-	-
Disposals	(20,592)	-	-	(161)	-	(20,753)
Exchange rate adjustments	14,144	-	-	(6)	-	14,138
Cost at 31 December	1,129,571	169,166	983,824	55,701	4,347	2,342,609
Amortisation and impairment at 1 January	-	-	(163,291)	(37,694)	(1,359)	(202,344)
Amortisation	-	-	(111,134)	(3,075)	(1,087)	(115,296)
Disposals	-	-	-	161	-	161
Exchange rate adjustments	-	-	-	5	-	5
Amortisation and impairment at 31 December	-	-	(274,425)	(40,603)	(2,446)	(317,474)
Carrying amount at 31 December	1,129,571	169,166	709,399	15,098	1,901	2,025,135

NOTES – SAXO BANK A/S

Note (DKK 1,000)

19 Tangible assets

	Leasehold improvements	Fixtures, equipment and vehicles	IT equipment	Total
2012				
Cost at 1 January	53,239	96,090	141,249	290,578
Additions	12,771	7,194	68,002	87,967
Disposals	(166)	(2,294)	(98)	(2,558)
Exchange rate adjustments	90	152	176	418
Cost at 31 December	65,934	101,142	209,329	376,405
Depreciation and impairment at 1 January	(23,228)	(34,376)	(103,513)	(161,117)
Depreciation for the year	(12,529)	(14,975)	(28,505)	(56,009)
Disposals	53	1,882	91	2,026
Exchange rate adjustments	(43)	(78)	(159)	(280)
Total depreciation and impairment 31 December	(35,747)	(47,547)	(132,086)	(215,380)
Carrying amount at 31 December	30,187	53,595	77,242	161,025
2011				
Cost at 1 January	45,112	76,048	109,296	230,456
Additions	8,425	20,357	32,814	61,596
Disposals	(359)	(396)	(977)	(1,732)
Exchange rate adjustments	61	81	116	258
Cost at 31 December	53,239	96,090	141,249	290,578
Depreciation and impairment at 1 January	(13,687)	(21,593)	(86,324)	(121,604)
Depreciation for the year	(9,704)	(12,981)	(17,893)	(40,578)
Disposals	189	248	816	1,253
Exchange rate adjustments	(26)	(50)	(112)	(188)
Total depreciation and impairment 31 December	(23,228)	(34,376)	(103,513)	(161,117)
Carrying amount at 31 December	30,011	61,714	37,736	129,461

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
20 Debt to credit institutions and central banks			
Debt on demand		2,832,444	4,275,044
Total debt to credit institutions and central banks		2,832,444	4,275,044
21 Deposits			
Deposits on demand		10,885,476	8,978,434
Total deposits		10,885,476	8,978,434
22 Deferred tax assets and deferred tax liabilities			
Deferred tax at 1 January, net		(291,264)	(158,193)
Adjustments to previous years		(9,931)	4,659
Reclassification to tax liabilities		98,574	-
Recognised in the income statement		(6,690)	(137,732)
Exchange rate adjustments		8	2
Deferred tax at 31 December, net		(209,303)	(291,264)
Deferred tax liabilities		(209,741)	(291,454)
Deferred tax assets		438	190
Deferred tax at 31 December, net		(209,303)	(291,264)

Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
Intangible assets	-	-	(228,569)	(225,873)
Tangible assets	-	-	3,802	4,036
Other provisions	438	190	15,026	(69,617)
Total	438	190	(209,741)	(291,454)

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
23 Other provisions			
Restructuring etc.		38,275	42,375
Other		7,001	48,855
Total other provisions		45,276	91,230

24 Subordinated debt			
Subordinated loans		410,314	408,933
Total subordinated debt		410,314	408,933

Hereof included in Capital base DKK 373.0 million (2011: DKK 390.3 million).

Currency	Year of issue	Maturity	Interest	Margin first period		Margin second period		74,603	74,352
				Rate	Years	Rate	Years		
EUR	2006	31.03.2014	EURIBOR	2.25%	5	4.00%	3		
EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	2	7,460	7,434
EUR	2007	15.12.2019	EURIBOR	2.95%	10	3.95%	2	52,221	52,046
EUR	2007	15.12.2019	EURIBOR	2.95%	10	2.95%	2	89,523	89,222
EUR	2007	15.09.2020	EURIBOR	2.95%	10	2.95%	3	111,904	111,527
EUR	2007	15.09.2020	EURIBOR	2.95%	10	3.95%	3	74,603	74,352
Total subordinated debt								410,314	408,933

Interest on subordinated debt and related items DKK 16.2 million (2011: DKK 18.2 million).

In case of the Bank's voluntary or compulsory winding-up the subordinated loans will not be repaid until the claims of ordinary creditors have been met. Early redemption of subordinated debt is subject to the approval of the Danish Financial Supervisory Authority.

25 Hedge accounting

Saxo Bank A/S hedges the exchange rate risk of net investments in certain foreign entities by establishing hedge relationships between its net investment in foreign entities and currency derivatives or a non-derivative currency financial liability designated as the hedging instruments. Saxo Bank A/S does not hedge the entities' expected income or other future transactions. At 31 December 2012, the carrying amount of net investment in entities hedged amounted to DKK 989 million (2011: DKK 1,004 million) and the corresponding fair value of the hedging instrument amounted to DKK 989 million (2011: DKK 1,004 million).

NOTES – SAXO BANK A/S

Note (DKK million)

26 Related parties

No party has the controlling influence in Saxo Bank A/S. As at 31 December 2012 the following shareholders are registered directly or indirectly as holders of more than 5% of the share capital of Saxo Bank A/S:

Fournais Holding A/S, DK-2850 Nærum, Denmark.
 Lars Seier Christensen Holding A/S, DK-1264 Copenhagen, Denmark.
 TPG Capital, TX-76102 Fort Worth, United States.

	Parties with significant influence		Subsidiaries		Associates		Joint venture	
	2012	2011	2012	2011	2012	2011	2012	2011
Loans and advances at amortised cost	-	-	378	327	-	-	-	-
Deposits (liabilities)	1	1	1,759	1,056	1	-	-	-
Other assets	-	-	29	26	-	-	-	-
Other liabilities	-	-	44	58	-	-	-	-
Interest income	-	-	57	25	-	-	-	-
Fee and commission expense	-	-	727	605	-	-	-	-
Administrative services etc.	-	-	48	35	-	-	1	-
Marketing cost	-	-	6	-	-	-	-	-
Leases	-	-	42	34	-	-	-	-
Subleases	-	-	6	6	-	-	-	-
Lease of airplane	-	-	25	9	-	-	-	-
Software development	-	-	73	91	17	3	-	-
Dividend from Saxo Bank A/S	-	226	-	-	-	-	-	-
Dividend from subsidiaries	-	-	781	385	-	-	-	-

Parties with significant influence include shareholders with holdings exceeding 20% of Saxo Bank A/S.

Board of Management is due to their significant ownership in Saxo Bank A/S through their holding companies included in Parties with significant influence.

Remuneration to Board of Directors and Board of Management is disclosed in note 9 Staff costs and administrative expenses in the consolidated financial statements.

Saxo Bank A/S has not provided any loans, pledges or guarantees to any member of Saxo Bank A/S' Board of Directors or Board of Management or to persons related to these.

All transactions and agreements with related parties are settled on an arms-length basis.

27 Assets deposited as collateral

Of the Bank's bond holdings nominal EUR 451 million (31 December 2011: EUR 433 million), with a fair value of DKK 3.4 billion (31 December 2011: DKK 3.2 billion), are tied up with institutions with full right of disposal for the Bank. The bonds serve as security for the Bank's ongoing financial business with the individual institution. The actual demand for collateral varies from day to day with the development in the open positions and were in total 89% (31 December 2011: 69%) of the fair value of the bond holdings provided as security at 31 December 2012.

Of the Bank's deposits with investment brokers, banks and other credit institutions, DKK 800 million (31 December 2011: DKK 265 million) have likewise been provided as security for the Bank's ongoing financial business.

The Bank has deposited bonds nominal 40 million (2011: 0 million) with a fair value of DKK 40.2 million as security for an interest swap on behalf of Ejendomsselskabet Bygning 119 A/S.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011
28 Contingent and other contractual commitments			
Guarantees			
Financial guarantees	2,871	6,375	
Guarantees issued to subsidiaries	10,000	40,000	
Other guarantees	43,792	78,016	
Total guarantees	56,663	124,391	
Other contractual commitments			
Rent commitments towards subsidiaries	606,671	620,972	
Other commitments incl. operating leases	296,121	365,662	
Total other contractual commitments	902,792	986,634	

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

Saxo Bank A/S has agreed to support Saxo Jet A/S, Saxo Soft A/S and I.I. Real Estate A/S with the liquidity necessary to support the approved budgets and plans up to and including 31 December 2013. Saxo Bank A/S has declared that it will support Saxo Privatbank A/S with a capital increase of up to DKK 10 million in 2013.

Saxo Bank A/S has guaranteed to participate in a capital increase in CPH Capital Fondenmaæglerselskab A/S up to DKK 7.4 million in 2013.

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

29 Risk Management

Risk exposure

Saxo Bank A/S is exposed to a number of risks which can be categorised as follows:

- Credit risk: The risk of loss due to that counterparties of the Bank fail to fulfill their agreed obligations
- Market risk: The risk of loss due to movements in market risk factors
- Liquidity risk: The risk of being unable to meet obligations as they fall due
- Operational risk: The risk of loss resulting from inadequate or failed processes, people or systems

The risk exposures, policies and procedures to monitor the risks for Saxo Bank A/S are the same as for the Group and are described in Risk Management for the Group.

In addition to the credit risk described in Risk Management for the Group Saxo Bank A/S has credit exposure against its subsidiaries due to granted trading and credit lines. The unutilised lines as per 31 December 2012 can be terminated on demand.

Market and credit risk related to derivative financial instruments is disclosed in Risk Management for the Group. Derivative financial instruments relates to trading portfolio and are included in Other assets and Other liabilities.

The Management's Report and Risk Report 2012 provide additional information about Saxo Bank A/S' risk management approach. Risk Report 2012 is available for download from the Group's website at www.saxoworld.com/investorrelations/icaap-and-risk-reports. The Risk Report is not covered by the statutory audit.

NOTES – SAXO BANK A/S

Note	(DKK 1,000)	2012	2011	2010	2009	2008
30 Key figures and ratios						
Key figures						
Net interest, fees and commissions	(35,145)	(10,195)	(158,086)	(150,669)	(494,037)	
Price and exchange rate adjustments	2,052,912	2,684,750	2,670,291	1,895,450	2,491,362	
Staff costs and administrative expenses	(1,707,836)	(1,768,858)	(1,750,222)	(1,443,613)	(1,622,597)	
Impairment charges for receivables, loans, advances etc. ¹⁾	(14,670)	(31,041)	(6,521)	(43,474)	(52,677)	
Income from associates, joint ventures and subsidiaries	45,239	43,670	238,580	118,805	192,267	
Net profit	67,573	618,548	643,874	201,586	339,217	
Loans and advances at amortised cost	489,623	404,004	249,914	176,660	109,503	
Subordinated debt	410,314	408,933	409,962	409,283	409,362	
Total equity	3,334,287	3,222,835	2,870,157	2,324,983	1,416,721	
Total assets	20,612,733	20,594,106	17,244,965	13,903,351	9,961,457	
Average number of employees	793	732	629	695	939	
Ratios						
Solvency ratio	13.7%	13.9%	16.6%	22.0%	18.0%	
Tier 1 capital ratio	10.5%	10.7%	13.7%	17.3%	12.1%	
Return before tax on Total equity	3.1%	27.8%	33.2%	13.6%	32.6%	
Return after tax on Total equity	2.1%	20.3%	24.8%	10.8%	27.0%	
Income proportional to cost	1.05	1.43	1.45	1.16	1.23	
Interest rate risk	1.3%	1.6%	11.1%	7.2%	1.5%	
Foreign exchange rate risk / Tier 1 capital	115.6%	219.2%	129.6%	104.8%	385.1%	
Value at risk of foreign exchange rate risk / Tier 1 capital	2.5%	6.4%	2.3%	2.2%	4.5%	
Loans, advances and provisions / Deposits	5.4%	5.1%	2.5%	2.0%	1.8%	
Loans and advances proportional to Total equity	0.1	0.1	0.1	0.1	0.1	
Growth of Loans and advances	21.2%	61.7%	41.5%	61.3%	(35.2)%	
Additional liquidity / liquidity requirement	330.6%	310.4%	300.8%	720.4%	687.4%	
The total of large engagements / Capital Base	-	77.4%	19.9%	-	15.3%	
Loss and provisions ratio (loans and advances)	2.4%	8.4%	2.4%	3.5%	2.4%	

¹⁾ Includes contributions related to the loss guarantee to the Danish Private Contingency Association until 2010.

See page 103 for definitions.

Key figures and ratios are prepared in accordance with the Danish Financial Business Act.

STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management have considered and approved the annual report for the financial year 2012 for Saxo Bank A/S.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the parent company's financial statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2012 and of the results of the Group's and the

Parent Company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2012.

Moreover, in our opinion, the Review of 2012 and The Business of Saxo Bank include a fair review of developments in the Group's and the Parent Company's operations and financial position and describe the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The 2012 annual report is submitted for the approval of the annual general meeting.

Copenhagen, 12 March 2013

BOARD OF MANAGEMENT

Lars Seier Christensen
Co-CEO and Co-founder

Kim Fournais
Co-CEO and Co-founder

BOARD OF DIRECTORS

Dennis Malamatinas
Chairman of the Board

Asiff S. Hirji
Vice Chairman of the Board

Kurt K. Larsen

Thomas Plenborg

Karl I. Peterson

STATEMENTS BY THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF SAXO BANK A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements, page 32-103, and the parent company financial statements of Saxo Bank A/S, page 106-126, for the financial year 1 January – 31 December 2012. The consolidated financial statements and parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of capital base and notes, including a summary of significant accounting policies for the Group as well as for the parent company and cash flow statement – Saxo Bank Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Business Act (the parent company financial statements) and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical re-

quirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2012 and of the results of the Group's and the parent company's operations and cash flows – Saxo Bank Group for the financial year

STATEMENTS BY THE INDEPENDENT AUDITOR

1 January – 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent company financial statements.

Statement on the Management's review

Pursuant to the Danish Financial Business Act, we have read the Management's review (Review of 2012 and The

Business of Saxo Bank). We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review (Review of 2012 and The Business of Saxo Bank) is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 12 March 2013
KPMG
Statsautoriseret Revisionspartnerselskab

Jesper Koefod
State Authorised
Public Accountant

Anders Duedahl-Olesen
State Authorised
Public Accountant

COMPANY INFORMATION

BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

Management and Directorships held by the Board of Directors and the Board of Management in companies excluding positions in the Group's subsidiaries (Chairman (CM), Board member (BM), Alternate Board member (ABM), Chief Executive Officer (CEO)).

BOARD OF DIRECTORS

Dennis Malamatinas – Chairman

SSP Group Limited (BM)
Celio International S.A. (BM)
Classic Fine Foods Ltd. (BM)

Asiff S. Hirji – Vice Chairman

TPG Capital, L.P. (Partner)
Citrix Systems (BM)
Decision Insights (BM)
Primedia (BM)
Advent Software (BM)

Kurt K. Larsen – Member of the Board

Polaris III Invest Fonden (CM)
DSV A/S (CM)
Ove Wrist & Co. A/S (BM)

Thomas Plenborg – Member of the Board

Independent member of the audit committee with qualifications within accounting
Everyday Luxury Feeling A/S (CM)
Rosemunde ApS (CM)
COWI Holding A/S (BM)
DSV A/S (BM)
JFE Holding ApS (CEO)

Karl I. Peterson – Member of the Board

TPG Capital LLP London (President)
Caesars Entertainment Corporation (BM)
Sabre Holdings Corporation (BM)
NCL Corporation Ltd. (BM)

Jacob Polny – Alternate Board Member

TPG Capital LLP London (Partner)
Ontex (ABM)
Arlig Capital AS (ABM)

BOARD OF MANAGEMENT

Lars Seier Christensen – Co-CEO and Co-founder

Lars Seier Christensen Holding A/S (CEO & BM)
ClubSuperCar A/S (CM)

Kim Fournais – Co-CEO and Co-founder

Fournais Holding A/S (CEO & BM)
Vejrø ApS (CM)
Bluecom A/S (CM)
Fournais Aviation ApS (CEO)

ADDRESSES DENMARK

SAXO BANK A/S HEADQUARTERS

Philip Heymans Allé 15
2900 Hellerup
Denmark
www.saxobank.com

SAXO PRIVATBANK A/S

Philip Heymans Allé 15
2900 Hellerup
Denmark
www.saxoprivatbank.dk

SAXO PROPERTIES A/S

Philip Heymans Allé 15
2900 Hellerup
Denmark
www.saxoproperties.com

EUROINVESTOR.COM A/S

Philip Heymans Allé 5, 5
2900 Hellerup
Denmark
www.euroinvestor.dk

CAPITAL FOUR MANAGEMENT

FONDSMÆGLERSELSKAB A/S
Øster Allé 56, 5th floor
2100 Copenhagen Ø
Denmark
www.capital-four.com

GLOBAL EVOLUTION

FONDSMÆGLERSELSKAB A/S
Kokholm 3B
6000 Kolding
Denmark
www.globalevolution.com

ADDRESSES EUROPE

BELGIUM

Saxo Banque Belgique
Avenue Louise 480 Louizalaan
1050 Bruxelles
be.saxobank.com

CYPRUS

Saxo Bank A/S Cyprus
Agia Fylaxeos 1
3025 Limassol
cy.saxobank.com

CYPRUS

Saxo Capital Markets CY limited
Agia Fylaxeos 1
3025 Limassol
www.saxomt4.com

CZECH REPUBLIC

Saxo Bank Prague
Betlémský Palác
Husova 5
Praha 1, 110 00
cz.saxobank.com

ADDRESSES EUROPE CONTINUED

FRANCE

Saxo Banque (France) SAS
10, rue de la Paix
75002 Paris
fr.saxobank.com

RUSSIA

Saxo Bank A/S Moscow Representative Office
Usacheva 2, str. 1
Moscow 119048
ru.saxobank.com

GREECE

Saxo Bank A/S Hellas (Greece)
4 Vasilissis Sofias Avenue
10674 Athens
gr.saxobank.com

SPAIN

Saxo Bank A/S Sucursal en España
Paseo de la Castellana 42, 2.
Planta
28046 Madrid
es.saxobank.com

ITALY

Saxo Bank A/S Italia
Corso Venezia 29
20122 Milano
it.saxobank.com

SWITZERLAND

Saxo Bank (Schweiz) AG
Rietstrasse 41
Postfach 509
8702 Zollikon
ch.saxobank.com

Saxo Bank (Schweiz) AG Representative Office Geneva
Rue Du Rhônes 14
1204 Genève

NETHERLANDS

Saxo Bank A/S Nederland
WTC Amsterdam
B-Tower 15th floor
Strawinskylaan 1527
1077 XW Amsterdam
nl.saxobank.com

TURKEY

Saxo Capital Markets Menkul Değerler A/Ş
Dereboyu Caddesi Meydan Sokak No:1
Beybi Giz Plaza, Kat:30 Bölüm 115-116
34398 Maslak-Istanbul
tr.saxomarkets.com

POLAND

Saxo Bank A/S Warsaw Representative Office
UL. Nowy Swiat 7 lok. 15
00-496 Warsaw
pl.saxobank.com

UNITED KINGDOM

Saxo Capital Markets UK Ltd.
40 Bank Street - level 26
Canary Wharf
London E14 5DA
uk.saxomarkets.com

ADDRESSES WORLD

AUSTRALIA

Saxo Capital Markets (Australia) Pty. Ltd.
Level 25, 2 Park Street
Sydney, NSW 2000
au.saxomarkets.com

HONG KONG

Saxo Capital Markets HK Limited
Units 1201-1202, 12th floor
Agricultural Bank of China Tower
No. 50 Connaught Road
Central Hong Kong
hk.saxomarkets.com

INDIA

Saxo Financial Services Private Limited
Tower 10C, 20th floor
Cyber City, DLF Phase II
Gurgaon - 122 002, Haryana

Initto Technologies India PVT LTD
Tower 10C, 20th floor
Cyber City, DLF Phase II
Gurgaon - 122 002, Haryana
www.initto.com

JAPAN

Saxo Bank Japan K.K.
Kamiyacho Sankei Building 10F
1-7-2 Azabudai, Minato-ku
106-0041 Tokyo
www.saxobank.co.jp

PANAMA

Saxo Capital Markets Panama SA
Torres de las Americas, Piso 29Torre C, Suite 2908
0832-2522 WTC – Punta Pacifica
Ciudad de Panama

SINGAPORE

Saxo Capital Markets Pte. Ltd.
3 Church Street
Level 30, Samsung Hub
Singapore 049483
sg.saxomarkets.com

SOUTH AFRICA

Saxo Capital Markets SA (Pty) Ltd.
The Place
1 Sandton Drive – Sandton
2146 Johannesburg
za.saxomarkets.com

UAE - DUBAI

Saxo Bank (Dubai) Limited
Currency House, 1st Floor
DIFC, P.O. Box: 506830
Dubai
ae.saxobank.com

URUGUAY

Saxo Capital Markets Agente de Valores S.A.
Zonamérica Ruta 8
Km. 17500, Edificio @ 1, Ofc. 109
91600 Montevideo
latin.saxomarkets.com

SAXO BANK IN BRIEF

Saxo Bank is a fully licensed and regulated European bank established in 1992 and headquartered in Tuborg Harbour in Hellerup, close to Copenhagen.

Saxo Bank, a specialist in trading and investment, provides a wide range of products, services and platforms, giving private clients, institutions, White Label Clients and brokers a complete set of tools for their trading and investment strategies.

Saxo Bank has been expanding geographically since 2006 and today is present in 23 countries covering the world's major financial centres, including London, Zurich, Dubai, Tokyo, Singapore, Hong Kong and Paris. Saxo Bank's financial expertise is derived from the Bank's employees, who come from over 55 different countries and serve a client base spanning more than 180 countries.

The best description of Saxo Bank's traditional business model is that of a facilitator. The Bank offers products and services provided by third parties and offers access through its online trading platforms.

Saxo Bank has developed a number of specialised trading platforms, including the browser-based SaxoWebTrader, the downloadable SaxoTrader and the SaxoMobileTrader application. Saxo Bank's trading platforms are not only offered to retail clients but also to Introducing Brokers and financial institutions. They are also rebranded and customised for White Label business.

Saxo Bank's platforms have constantly evolved to meet the changing needs of traders and investors, winning an array of awards from industry publications such as Eur-

omoney, FX Week and Shares Magazine in recognition of their innovative tools and range of products. In addition to FX, Saxo Bank offers online trading access to over 14,500 stocks from more than 30 exchanges worldwide, as well as more than 8,000 CFDs, over 175 online futures contracts and contract options on futures and stock indices. Saxo Bank also offers over 1,500 investment funds via ETFs.

The key driver in the business structure remains the Bank's technological capabilities across all business areas. Embracing the latest information technology and developing innovative trading solutions not only benefits clients by making trading more efficient, but also keeps Saxo Bank at the forefront of an ever-changing industry. In recent years, the strategic direction of Saxo Bank has been focused on broadening and diversifying its product and service offerings. Saxo Privatbank was launched in 2011 and aims to tailor its offerings directly to the needs of clients through professional portfolio and fund management as well as traditional banking services.

Upholding and protecting basic standards such as freedom of speech, freedom of religion and property rights, as well as freedom of association and the recognition of the right to collective bargaining, is an integrated part of Saxo Bank's value system. Over the years, the Bank has lived up to its beliefs by funding organisations, books and other initiatives promoting the principles of limited government, free markets and human rights.