2019

SAXO BANK

RISK REPORT
2019

CONTENTS

1 ABOUT THE REPORT

The purpose of this report is to publish the information required according to Part Eight of CRR[1] and to describe the Risk Governance of Saxo Bank Group, including the Risk Management Framework and the risk profile within the defined risk areas mentioned in the report.

Further, additional Pillar III disclosure requirements are covered by an Excel appendix with tables published separately: "Risk Report 2019 – Additional Pillar III Disclosures". Together, the report and the additional Pillar III information cover the disclosure requirements[2].

This report is drafted for Saxo Bank Group:

Saxo Bank A/S,
Philip Heymans Allé 15,
DK-2900 Hellerup,
company registration no. 15 73 12 49 and all subsidiaries hereof (see appendix 1) on a yearly basis..

1 Capital Requirement Regulation 575/2013.
2 The following information is not covered in this report:
Information on remuneration according to CRR article 450, impairments according to article 442 and information on management systems article 435(2) is given in Saxo Bank Group's Remuneration report, and in the Group's annual report: https://www.home.saxo/about-us/investor-relations.
Saxo Bank Group is not identified as systemically important financial institution (SIFI). The Group does not use securitisations, the IRB approach, internal models on operational risk or market risk or credit derivatives and does therefore not disclose information related hereto.
In addition to the disclosure requirements in this report Saxo Bank Group publishes ICAAP information (Internal Capital Adequacy Assessment Process) on a quarterly basis.

2 ABOUT SAXO BANK

Saxo Bank Group is a facilitator providing access to global capital markets and products for clients through a truly scalable technology infrastructure supporting traders, investors and wholesale clients.

Saxo Bank Group essentially connects clients to investment opportunities in global capital markets, by delivering intuitive and sophisticated multi-asset trading, investment and risk tools to private clients as well as open banking solutions to wholesale partners.

As set out in the Saxo Foundation, Saxo Bank Group exists to empower everyone to navigate their financial future by providing access to trading and investment, making it more transparent and less costly for everyone. Committed to building win-win relationships, Saxo Bank Group believes everyone deserves the opportunity to understand and access the financial markets. All innovation and development at Saxo Bank Group is designed to inform, educate and empower clients, traders and investors.

Established in 1992, Saxo Bank was one of the first financial institutions to develop an online trading platform that provided private investors with the same tools and market access as professional traders, large institutions and fund managers.

Today, Saxo Bank Group offers its own direct clients in more than 170 countries unparalleled access to trading and investment opportunities in global capital markets across asset classes.

At the same time, Saxo Bank Group also services more than 100 financial institutions as partners, leveraging Saxo Bank Group's technology to efficiently give their clients a state-of-the art investment experience. The Saxo Bank Group delivers Banking-as-Service, supporting the entire value chain of global capital markets investing, to wide range of wholesale partners.

In August 2019, Saxo Bank Group's acquisition of Dutch BinckBank was completed, marking a significant milestone for Saxo Bank Group and increasing the client base significantly. With a strong, complementarity client base and geographical footprint, the integration of BinckBank in Saxo Bank Group is well underway.

3 PARTNER BUSINESS (SAXOSOLUTIONS, WHOLESALE)

Saxo Bank Group offers partners such as banks, Brokers and fintechs the opportunity to leverage the Group's open architecture and capital markets infrastructure to deliver a state-of-the-art digital experience to their clients (B2B2C and B2B2B).

The financial industry sector is undergoing significant changes and challenges with higher expectations for digital client experience, new compliance requirements, margin compression, continued drive for cost optimisation and resource allocation. In this environment, Saxo Bank Group offers a compelling value proposition to its partners, that can leverage the Group's infrastructure and deliver a better experience to clients while reducing cost and complexity.

As testament to this value proposition, Saxo Bank Group in 2019 went live with a number of new partnerships ranging from traditional banks to new market entrants.

An important focus area is growing and developing the business with our existing partners. Saxo Bank Group continuously adds new products and multi-asset capabilities to existing partners and build out the mutual fund offering, as well as improving the operational efficiency, for example through digital onboarding.

Saxo Bank Group's Open API continues to be an integral part of the offering and is growing in relevance for both existing and new partners, as it allows for a flexible integration of the Saxo platforms and services. During the course of 2019, the number of trades through Open API was 1.6 million representing 18% of the total number of wholesale business trades in for Saxo Bank Group in 2019.

4 SAXO BANK GROUP'S BUSINESS MODEL

Saxo Bank Group is a facilitator providing access to global capital markets and products for clients through a truly scalable technology infrastructure supporting traders, investors and wholesale clients. The Saxo Bank Group's business model is based on unbundling the value chain through an open architecture sourcing the best products, liquidity, content and services from the best providers in the market.

Liquidity provisioning

Saxo Bank Group obtains capital market liquidity from more than 150 different liquidity venues including 20 large global banks as well as the world's major trading venues and exchanges. By aggregating market liquidity from multiple sources, Saxo Bank Group is able to stream competitive prices and spreads to its clients, and deal with the flow of transactions in a cost-effective way. Efficient execution and risk management are core competencies of the Saxo Bank Group.

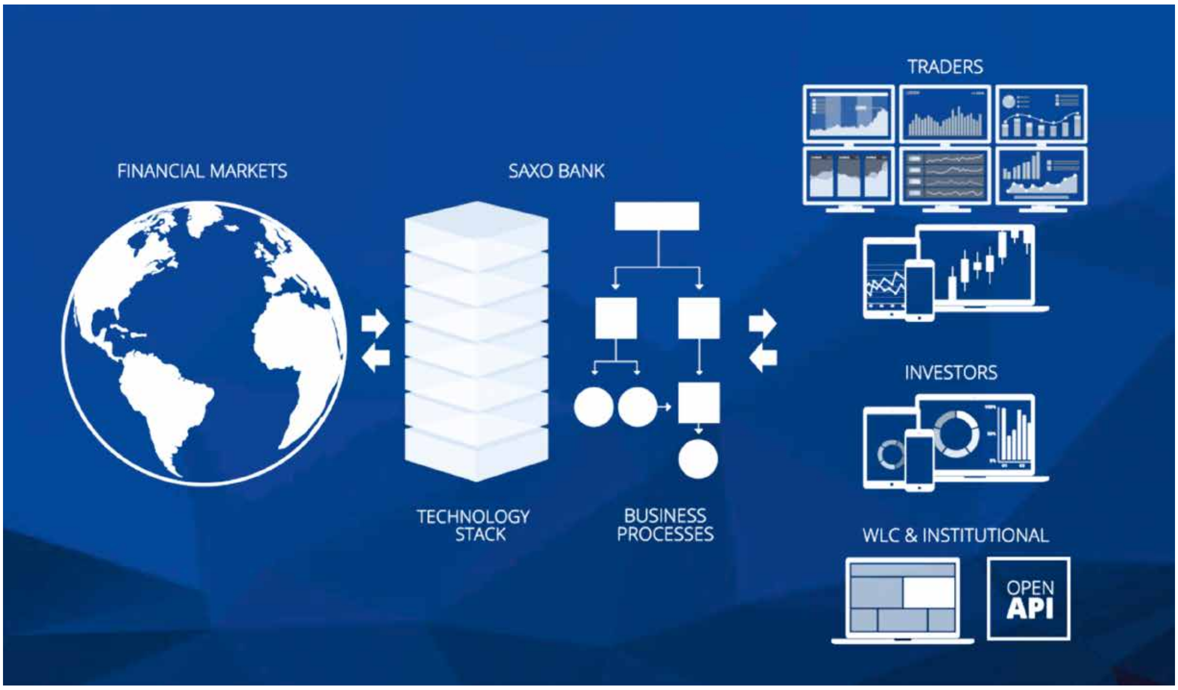
Products

Through the platforms, clients can trade more than 40,000 instruments across bonds, mutual funds, stocks, ETF's, CFD's, futures, options and FX from a single account. Clients also get free access to a large universe of fundamental research and technical trade signals integrated directly in the platform for easy access.

Client interfaces

To facilitate its clients' trading and investment needs, Saxo Bank Group has developed proprietary online trading and investment platforms, tailored to fit different client experiences, preferences and different types of hardware. The platforms remain the focal point of the Saxo Bank Group's core business, as direct clients and end clients of partners access the capital markets and invests through the SaxoTraderGO, SaxoTrader-PRO and SaxoInvestor platform and for partners also through Open API and Fix API.

FIGURE 1: SAXO BANK GROUP'S BUSINESS MODEL - SAXO BANK GROUP IS A GLOBAL, MULTI-ASSET FACILITATOR




Global Stock Markets
Helsinki Stock Market
See All
Most traded stocks at Saxo
Ambu A/S
118.60 DKK
Y -50.71%
Danske Bank A/S
86.64 DKK
D 0.28%

5 GOVERNANCE MODEL

The governing bodies of Saxo Bank Group consist of a Board of Management and a Board of Directors. The Board of Management is responsible for managing the day-to-day business of Saxo Bank Group. The Board of Directors supervises the Board of Management and appoints the members of the Board of Management. The members of the Board of Directors are appointed by the general meeting of Saxo Bank Group.

The daily management of the business lines in the Saxo Bank Group is carried out by the Executive Team. Each member of the Executive Team reports to the Chief Executive Officer and is responsible for the efficient execution of Saxo Bank Group's strategic plans, priorities and initiatives, and for developing functional plans within their specific areas of responsibility in line with overall strategy of Saxo Bank Group. The Executive Team ensures cross-functional collaboration between the various business lines of the Group.

5.1 RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.1 RISK MANAGEMENT STRATEGY

Risks should be taken within a well-defined framework in line with the institution's risk strategy and appetite. The Saxo Bank Group strives to maintain an appropriate risk strategy and appropriate risk appetite levels, a holistic risk management framework and effective reporting lines to the management body.

Saxo Bank Group's risk management strategy places strong emphasis on proactive risk management in order to meet strategic goals and objectives and uphold a 'no surprises' status for customers and stakeholders. The Group derives part of its earnings by taking and managing financial risks and the aim is thus not just to minimise, but to adequately manage the financial risk exposures in adherence with the Group's risk appetite. Non-financial risks are not desired risks and should be avoided, minimised and managed at reasonable costs with the same high attention as financial risks as the potential negative implications of non-financial risks in terms of direct and indirect losses, including reputational and brand value losses, can be as detrimental for the company as any financial risk.

Saxo Bank Group aligns its risk management objectives with the Group's vision and strategy by defining and actively promoting and measuring adherence to its risk culture and risk appetite, designing risk management frameworks that are consistent with the strategic and risk management objectives of the Group.

Thus, Saxo Bank Group has clearly defined roles and responsibilities and governance for risk management, enforcing strong risk oversight, controls and challenges, and with well-defined contingency strategies in place.

5.1.2 RISK MANAGEMENT FRAMEWORK

Saxo Bank Group's overall risk management framework and governance structure is established by the Board of Directors, based on recommendations from the Board Risk Committee.

The Board of Directors have in the Board Instructions laid out a set of instructions to the Board of Management on how to manage the day-to-day business of the Group.

The Board Instructions are supplemented by the Group Risk Management Governance & Policy and Risk Appetite Statements, which define Saxo Bank Group's risk management framework and articulate the Group's risk appetite, including specific limits for the Group's risk taking activities.

The Group Chief Risk Officer (CRO) has the overall responsibility for overseeing the risk management framework as well as controlling and reporting of Saxo Bank Group's risk profile.

5.1.3 RISK CULTURE

Saxo Bank Group defines Risk Culture as the Group's norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and the controls that shape decisions on risks. Risk culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume.

Risk culture drives organisational behaviours and may be the single most important success factor for any risk management programme. Saxo Bank Group consistently measures whether it lives up to its core values and conducts itself accordingly. The Group has mandatory trainings and risk awareness programs to support the desired culture, facilitated by a global e-learning platform available for all employees.

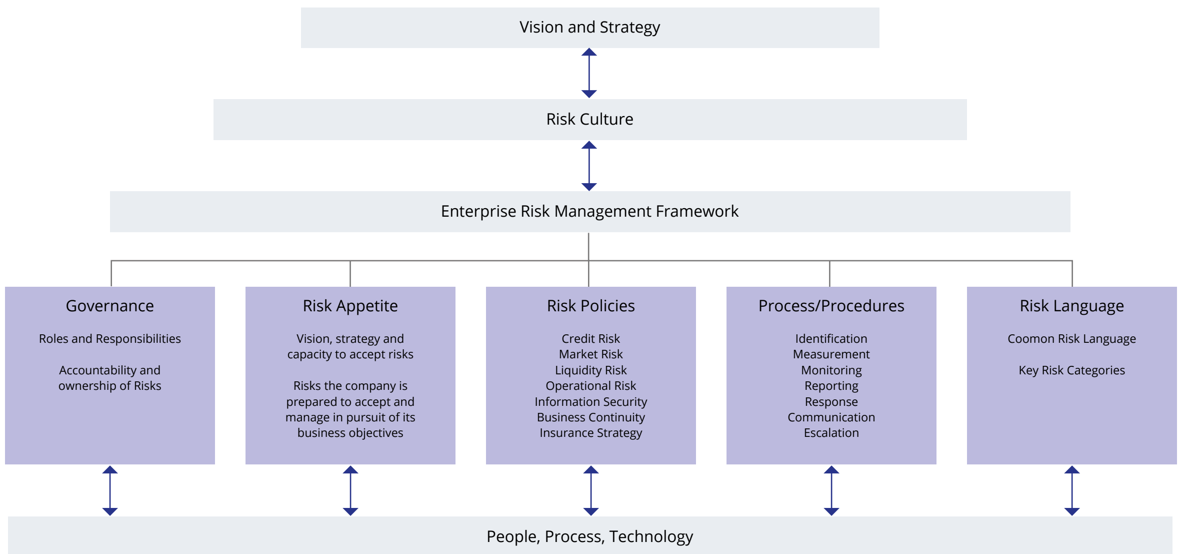
5.1.4 RISK MANAGEMENT GOVERNANCE

Saxo Bank Group utilises the generally accepted industry standard "Three lines of defence" approach to its risk management framework. The "Three lines of defence" approach creates clarity in relation to risk ownership, oversight and management of the Group's risk exposures.

The first line of defense are business lines. Business lines assume risks and therefore they have appropriate processes and controls in place that aim to ensure that risks are identified, analysed, measured, monitored, managed, reported and kept within the limits of the institution's risk appetite and that the business activities are in compliance with external and internal requirements.

The Saxo Bank Group Risk Management Function (GRCM) and Group Compliance form the second line of defence. Second line facilitates the implementation of a sound risk management and compliance framework throughout Saxo Bank Group and has responsibility for further identifying, monitoring, analysing, measuring, managing and reporting on risks and forming a holistic view on all risks on an individual and

FIGURE 2: SAXO GROUP ENTERPRISE RISK MANAGEMENT FRAMEWORK



consolidated basis throughout the Group. It challenges and assists in the implementation of risk management measures by the business lines in order to ensure that the process and controls in place at first line are properly designed and effective.

The independent internal audit function, as the third line of defence, conducts risk-based and general audits and audits the internal governance arrangements, processes and mechanisms to ascertain that they are sound and effective, implemented and consistently applied. The internal audit function is in charge also of the independent audit of the first two lines of defence. The internal audit function performs its tasks fully independently of the other lines of defence.

5.1.5 COMMITTEES

The role of risk committees in Saxo Bank Group is to:

- Advise and support management regarding monitoring of the Group's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the regulatory requirements, business strategy, objectives, corporate culture and values of the institution.
- Assist management in overseeing the implementation of the institution's risk strategy and corresponding risk limits.
- Oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks in order to assess their adequacy against the approved risk appetite and strategy.
- Provide necessary adjustments to the risk strategy resulting from changes in the business model of the institution, market developments or recommendations made by the risk management function.

TABLE 1: EXTERNAL MANAGERIAL BODIES

Governing Body	Responsibilities, which are further detailed in the respective Committee charters:	No. of meetings in 2019
Board Risk Committee	• Advise the Board of Directors regarding current and future risk appetite and risk strategy. • Assist the Board of Directors in overseeing the Board of Management's implementation of the strategy. • Provide recommendations and oversee the Risk Management functions. • Review incentive schemes pertaining to risk, capital and liquidity. • Prepare Saxo Bank Group's Risk Management Framework and Risk Appetite Statements for the Board of Directors' review and approval.	4
Audit Committee	• Supervise the preparation of financial statements. • Supervise and assess the effectiveness of Saxo Bank Group's internal controls, risk management and internal audit. • Supervise the statutory audit of the annual financial statements. • Supervise the Saxo Bank Group's external auditors	3
Remuneration Committee	• Establish and review the overall remuneration philosophy of the Bank and approve guidelines for incentive programs • Review the compensation level of the Bank's employees • Review the list of Risk Takers • Review succession planning	3

TABLE 2: MANAGERIAL BODIES

Governing Body	Responsibilities, which are further detailed in the respective Committee charters:	Minimum Meeting Frequency
Client Approval and Compliance Committee	• Review and approve/endorse Saxo Bank Group's Compliance and Financial Crime Framework including related risk appetite statements. • Approve (or reject) new high-risk client applications and existing high-risk client reviews as appropriate.	Twice a month
Management Risk Committee	• Review and approve/endorse Saxo Bank Group's risk, liquidity and capital management frameworks. • Monitor the development of the Saxo Bank Group's capital and liquidity position and risk profile in relation to the Risk Appetite Statements and supporting limits and ensure that actions are being taken as needed.	Quarterly

Governing Body	Subcommittees:
Sub-committees	• The Management Risk Committee has further delegated responsibilities to sub-committees on relevant risk areas.

6 CAPITAL

TOTAL CAPITAL RATIO

32.9 %

Strong total capital base in place to meet capital requirements at a safe distance to both regulatory and internal requirements and facilitate future growth.

TOTAL CAPITAL REQUIREMENT

16.7 %

Total Capital Requirement including the Combined Buffer Requirement (see further below) reflecting the capital required to safely operate Saxo Bank Group.

EXCESS CAPITAL RATIO

24.9 %

Excess Capital Ratio of 24.9% (distance to 8 % Capital Requirement) indicates the financial strength of Saxo Bank Group.

LEVERAGE RATIO

5.7 %

Group Leverage Ratio is 5.7%. The Leverage Ratio minimum requirement is set at 3% in the forthcoming CRR 2 regulation which is applicable from June 2021. Saxo Bank Group remains substantially above the forthcoming minimum requirement.

6.1 DEFINITION OF CAPITAL AND CAPITAL REQUIREMENT IN SAXO BANK GROUP

Saxo Bank Group's Total Capital consists of Common Equity Tier 1 (CET1), Additional Tier 1 and Tier 2 capital instruments and is calculated in accordance with CRR.

Additional own funds disclosure requirements are disclosed in the Additional Pillar III disclosure.

The minimum capital requirements, defined as a percentage of REA, in CRR article 92 are:

- 4.5% Common Equity Tier 1 capital requirement.
- 6% Tier 1 capital ratio.
- 8% Total capital ratio.

The 8% requirement is the "hard" pillar 1 capital requirement which Saxo Bank Group must meet at all times. In addition to the Pillar I requirement, Saxo Bank Group must meet:

An individually assessed capital need in addition to the minimum capital requirement (ICAAP). This addition is the Pillar II requirement.

There are additionally two regulatory required capital buffers: the Capital Conservation Buffer and the Countercyclical Capital Buffer.

Finally, from 2019 Saxo Bank is required to meet the Minimum Requirement for own funds and Eligible Liabilities named MREL.

6.2 REGULATORY CAPITAL BUFFERS

According to the CRD IV directive[3] Saxo Bank Group is required to hold a Capital Conservation Buffer and a Countercyclical Capital Buffer, commonly referred to as the Combined Buffers. The Capital Conservation Buffer is designed to absorb losses and conserve capital. The Countercyclical Capital Buffer is designed to ensure that financial institutions accumulate sufficient capital in times of high economic growth to enable it to continue being a stable source of credit in a subsequent downturn.

The level of the Countercyclical Capital Buffer in Denmark is set by the Systemic Risk Board. The maximum level of the buffer is 2.5% of REA.

The Countercyclical Capital Buffer rate is calculated as the weighted average of the countercyclical buffer rates set by jurisdictions of where the relevant exposures are located. As of 31 December 2019, the Countercyclical Buffer requirement for Saxo Bank Group is immaterial relative to the Total Capital Requirement. The level of the countercyclical buffer is disclosed in the Additional Pillar III disclosure. Following events related to the COVID-19 Pandemic event the Countercyclical Capital Buffer of Denmark has been set to zero with immediate effect from March 2020 and announced future increases have been cancelled.

The Capital Conservation Buffer is calculated as a percentage of REA and constitutes a fixed level of 2.5%.

6.2.1 PILLAR II REQUIREMENT IN SAXO BANK GROUP

The Total Capital Requirement consists of the minimum regulatory capital requirement (Pillar I) (previous section) as well as the internal assessment of whether additional capital requirements are needed, over and above the Pillar I requirement (Pillar II).

The Pillar II requirement is implemented into Danish law via the Danish Financial Business Act and further subsequent regulation including the ICAAP Guideline[4].

3 Directive 2013/36/EU.
4 DK: Vejledning om tilstrækkeligt kapitalgrundlag og solvensbehov for kreditinstitutter.

Following the methodology in the ICAAP Guideline Saxo Bank Group utilises the so-called 8+ Model. The 8+ Model uses the 8 % Pillar I capital requirement as a reference point with add-ons for other risks and relations not fully reflected in the Pillar I requirement.

6.2.2 INTEREST RATE RISK IN THE BANKING BOOK

With the acquisition of BinckBank, Saxo Bank Group has experienced a substantial increase in Banking Book assets and liabilities.

On Group level and apart from BinckBank's portfolio, the interest rate risk in the Banking Book derives from the financing of the headquarter domicile and issued capital instruments. See further in the Additional Pillar III disclosures.

6.2.3 MREL REQUIREMENT

The BRRD[5] requires banks to meet a minimum requirement for own funds and eligible liabilities so as to be able to absorb losses and restore the capital position in the event of a crisis. The MREL requirement is determined yearly. The actual MREL requirement consists of a loss absorption amount and a recapitalisation amount based on the resolution strategy which is defined in the Banks' resolution plan which is drafted by the resolution authorities. The MREL requirement can be met with specific capital instruments and debt instruments that are written down and converted before simple creditors are impacted during resolution and/or bankruptcy.

The MREL requirement for Saxo Bank A/S will be phased in over a five-year period.

6.3 GOVERNANCE WITHIN THE CAPITAL MANAGEMENT AREA

The Board of Directors has defined the Risk Appetite limits within the Capital Management area in Saxo Bank Group's Risk Appetite Statement and Capital Policy.

To support Saxo Bank Group in Capital decisions, the Board of Directors has established the Board Risk Committee which is supported by the Management Risk Committee (MRC).

6.3.1 CAPITAL POLICY

Saxo Bank Group has defined a Capital Policy in order to determine the overall guidelines for the management of the Group's capital and the assessment of the capital requirement.

Saxo Bank Group recognises that a strong capital position is necessary for maintaining a strong liquidity and funding position. Therefore, Saxo Bank Group has defined an internal solvency surplus buffer[6] (on top of the capital requirement) which defines the minimum distance to the capital requirement relative to REA. If this buffer is breached the internal policy dictates that dividends cannot be paid out.

An internal solvency surplus buffer is defined to avoid early intervention or breach of the capital requirement which would impose restrictions on the Group.

6.3.2 CAPITAL PLAN

Saxo Bank Group has defined a capital plan to ensure that the Group maintains sufficient capitalisation to both meet its capital requirements and support its risk profile and strategic goals. For this, it takes into consideration both short-term and long-term effects of

5 Bank Recovery and Resolution Directive.
6 The internal solvency surplus buffer should not be confused with the combined regulatory buffers which are the Capital Conservation Buffer and the Countercyclical Buffer. See later section below.

FIGURE 3: TOTAL CAPITAL

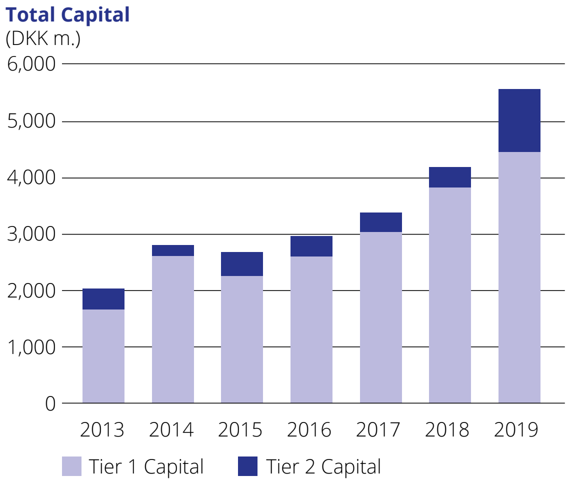
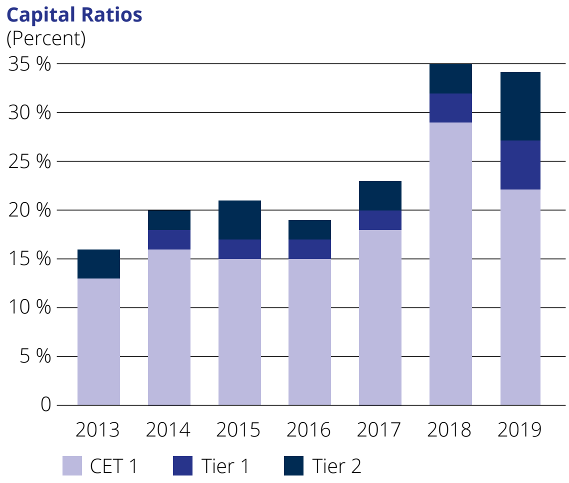


FIGURE 4: CAPITAL RATIOS



changes to the risk profile. As such, Saxo Bank Group's capital plan considers expectations to regulations, strategic initiatives and any other potential major changes to the risk profile, and thereby the future solvency needs. The capital plan is reviewed at least on quarterly basis, or upon need, to ensure that Saxo Bank Group's projected capital adequacy is up-to-date.

6.4 CAPITAL MANAGEMENT

Capital is managed in the Saxo Bank Group via the ICAAP process.

6.4.1 ICAAP PROCESS

Group Risk & Capital Management is responsible for the preparation of the ICAAP Report. Part of the ICAAP process is, on a forward looking basis, to identify the risks associated with the activities of Saxo Bank Group.

For each identified risk, it is assessed by the Group whether the risk is sufficiently covered by Pillar I. Further, based on internal, quantitative and qualitative approaches and, if relevant, internal expert input and management judgements a further possible Pillar II add-on is included in the Pillar II requirement.

6.4.2 STRESS TESTING

The ICAAP stress testing ensures that the assessed adequate capital level for Saxo Bank Group is sufficient to withstand unlikely, but not implausible, stress scenarios. A number of stress scenarios have been outlined in the various single risk areas. Management mitigating actions, like contingency plans and insurance coverage, are considered. Saxo Bank Group also conducts an income sensitivity analysis to ensure that business risks are covered adequately in the budgeted income.

6.5 CAPITAL POSITION OF SAXO BANK GROUP

Related to the acquisition of BinckBank, current main shareholders made a capital increase in Saxo Bank A/S of EUR 132 million. Furthermore, Saxo Bank A/S has issued EUR 100 million Tier 2 subordinated capital in July and in November 2019, Saxo Bank A/S has issued EUR 60 million Additional Tier 1 capital notes. Both the Tier 2 issue in July 2019 and the Additional Tier 1 issue in November 2019 was well received in the market with a significant oversubscription, resulting in a very strong and well diversified investor base, improving pricing for the Saxo Bank Group.

The new issuances refinanced existing EUR 45 million Additional Tier 1 capital notes with first call date in February 2020 and EUR 50 million Tier 2 subordinated debt with first option to call in April 2020. The Tier 2 subordinated notes and the Additional Tier 1 capital from 2019 are listed on Euronext Dublin.

31 December 2019, Saxo Bank Group had a high capital position with a Total Capital Ratio of 32.9 % compared to 35.0% year-end 2018.

The Total Capital Ratio consists mostly of Common Equity Tier 1 capital (highest quality of regulatory capital) with a CET1 ratio of 21.6%.

6.5.1 COMMON EQUITY TIER 1 CAPITAL

The CET1 capital of DKK 3,640 million is calculated as shareholder's equity per accounting rules subject to certain adjustments in accordance with CRR. Main adjustments are listed below:

- Expected dividend
- Intangible assets, including goodwill
- Deferred tax assets
- Prudent valuation adjustment (AVA adjustment)

On Prudent valuation adjustments Saxo Bank Group has implemented the Simplified Approach.

6.5.2 ADDITIONAL TIER 1 AND TIER 2 CAPITAL INSTRUMENTS

Saxo Bank Group's Additional Tier 1 capital amounted to DKK 783 million and Tier 2 Capital to DKK 1,120 million at the end of 2019.

Specifications of the capital instruments are disclosed in the Additional Pillar III disclosure.

6.5.3 LEVERAGE RATIO

The Leverage Ratio is a non-risk adjusted capital measure which is defined as Tier 1 capital as a percentage of the total non-risk weighted exposures. The ratio is intended to prevent credit institutions from building up excessive leverage.

The forthcoming CRR 2 will impose the Leverage Ratio as a hard requirement fixed at 3% applicable from June 2021, however, Saxo Bank Group has monitored the Leverage Ratio for several years, and has defined a minimum level above the forthcoming CRR 2 requirement in its Risk Appetite Statement. Following the BinckBank acquisition the Group's Leverage Ratio is now 5.7%.

Saxo Bank Group's monitoring of the Leverage Ratio is done as part of the ICAAP and the Recovery Plan. Saxo Bank Group's buffer to the forthcoming Leverage Ratio requirement, and the monitoring of the Leverage Ratio, ensures that the Group has a safe distance to the forthcoming minimum requirement. In addition, business decisions are tested with regards to their Leverage Ratio impact with the intent to prevent decisions which would lead to excessive leverage in the Group.

More details on Saxo Bank Group's Leverage Ratio can be found in the Additional Pillar III disclosures.

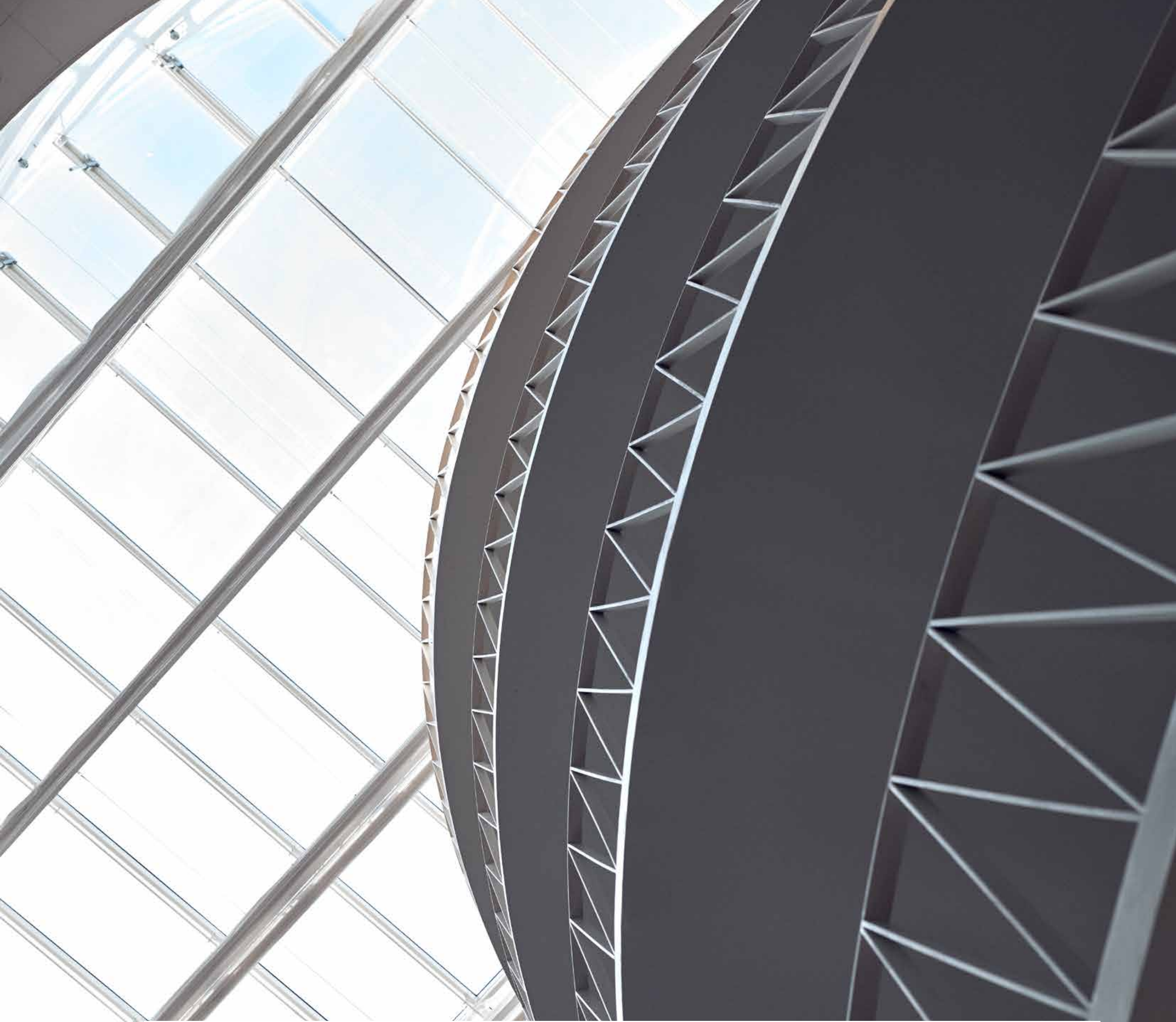
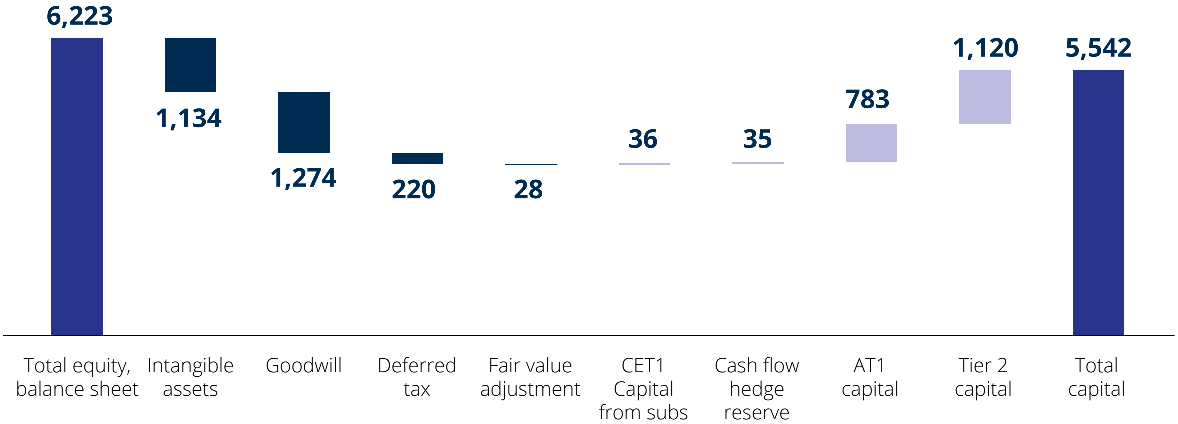


FIGURE 5: ACCOUNTING TO REGULATORY CAPITAL M. DKK.



7 CREDIT- & COUNTERPARTY CREDIT RISK

7.1 CREDIT- AND COUNTERPARTY CREDIT RISK DEFINITION

Credit risk is defined as the potential risk that a Client will fail to meet its contractual obligations in accordance with agreed terms, and that the Client will hence not be able to repay principal amounts outstanding and interest owed to the Group.

7.2 CREDIT- AND COUNTERPARTY CREDIT RISK IN SAXO BANK GROUP

In Saxo Bank Group, credit risk may result from:

- The Group's exposures against Brokers[7] and market liquidity providers.
- The Group's handling of liquidity whereby the Group places its large liquidity surplus in investment grade bonds. The Group mainly invests in government and covered bonds.
- After the acquisition of BinckBank in August 2019 credit risk also occurs as a result of BinckBank's collateralised lending[8] activities and mortgage lending[9].

Counterparty Credit Risk:

- In Saxo Bank Group, clients' margin trading may lead to uncollateralised exposures in the event of extreme and unexpected adverse market movements, in which case the collateral posted by clients may not fully offset the sustained trading deficit.
- Derivative exposures against Saxo Bank Group's Brokers when e.g. trading clients' positions.

Saxo Bank Group uses the Standard Approach for credit risk as set forth in CRR and the Financial Collateral Comprehensive Method for Credit Risk Mitigation. For Counterparty Credit Risk the Group currently applies the Mark-to-Market method (MtM) to calculate the REA exposure. MtM is a regulatory methodology that, in addition to current market value of the exposure, includes potential future exposure (PFE).

CRR 2 implements a new regime for Counterparty Credit Risk, which is based on the Basel Committee's Standardised Approach for Measuring Counterparty Credit Risk Exposures. Saxo Bank Group has utilised the new approach (SA-CCR) as a parallel calculation since 2017. The SA-CCR is a more risk sensitive methodology than the current MtM Method.

7.3 GOVERNANCE WITHIN THE CREDIT- & COUNTERPARTY CREDIT RISK AREA

The Board of Directors supported by Board of Management set out Risk Management principles, Risk Appetite limits as well as further limits within the Credit- and Counterparty Credit Risk Area.

In order to assist Management with the above, the Market and Client Credit Risk Committee supports the Group in matters related to client credit risk and market risk related to the Group's margin trading.

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7 Brokers (or Prime Brokers) are the Saxo Bank Group's financial counterparties when the Group trades in financial instruments and derivatives. Prime Brokers are in general major international banks, many of which are systemically important institutions (SIFIs). Credit risk may incur if one of these counterparties should default.

8 In Binckbank clients may engage in trading securities based on collateralised lending which from a credit risk perspective is comparable to margin trading.

9 In 2016 BinckBank acquired a Dutch residential mortgage portfolio. Although BinckBank does not have a direct relationship with the borrower, the credit risk on the loans is borne by BinckBank.

Further, the White Label Risk Management Committee supports the Group in managing risks related to the Group's credit exposures against White Label clients.

The Counterparty Credit Risk Management (CCRM) department is first line of defense related to Counterparty Credit Risk (Margin Trading) in the capacity of being mandated to manage exposure limits as well as client exposure stop-out procedures.

Group Risk & Capital Management and Group Compliance act as the second line of defense providing monitoring, analysis, measurement and reporting on risks and overseeing compliance on the Credit- and Counterparty Credit Risk area.

The Board of Directors is the highest credit authority in the Group, responsible for the overall credit related principles. The Board of Directors have delegated authority to the Board of Management on the Credit Risk and Margin Trading areas within the limits described in the Risk Appetite Statement.

Internal audit is third line of defense.

7.3.1 CREDIT POLICY

The Board of Directors have decided on the principles of the Group Credit Policy which defines the overall credit policy and credit principles to which the Group must adhere. The Group Credit Policy applies to the Group including all subsidiaries, business units and departments and is supplemented by local credit policies.

7.3.1.1 Group Credit Authority Policy

The Group Credit Authority Policy defines the Group's policy for approving, maintaining and reviewing credit exposures. The Group Credit Authority Policy further determines how the Board of Directors can delegate credit authority to the Board of Management, how the Board of Management can further delegate credit authority to the Head of Group Credit.

7.3.2 CREDIT MANAGEMENT

Credit Management in the Group builds on Credit Risk reporting and monitoring, which allows Group Credit to be proactive in respect of the credit quality of the portfolio and allows for timely action in case part of the portfolio, or individual clients, show signs of weakness.

The Group's internal credit rating of clients is an integrated part of the credit management for the Group, and an important part of the credit assessment and credit management process. An internal Saxo Rating is assigned to all clients where the Group incurs credit risk. The rating reflects the probability of default. Clients are monitored on an ongoing basis and credit ratings as well as credit exposures are subject to annual risk reassessments as a minimum.

Credit risk on the BinckBank mortgage portfolio is mitigated by collateral in the underlying residential real estate. Further, the National Mortgage Guarantee (NGH) is applicable for a part of the portfolio. Credit risk assumed via the mortgage portfolio is granted on the basis of the ability of payment of the borrower. The mortgage portfolio, including the collateral values of the Dutch residential real estate, is monitored closely in accordance with the regulatory requirements.

Group Risk and Capital Management reports on the credit area to the Board of Directors and Board of Management. In addition, Group Risk and Capital Management is responsible for credit reporting allowing for control of credit exposures and limit breaches.

7.3.2.1 External Credit Rating Agencies (ECAI)

Saxo Bank Group has nominated Standard & Poor's Financial Services LLC (S&P) as ECAI for credit exposures. The Group is not rated by a credit rating agency.

The Group applies credit ratings to exposure classes Institutions and Corporates. The conversion of credit ratings to credit quality steps is based on the mapping tables issued by the EBA[10].

7.3.2.2 Other Credit Risks

Saxo Bank Group has a limited exposure against unlisted equities. It is not part of the Group's strategy to increase investments in this type of assets.

7.3.3 CREDIT MANAGEMENT RELATED TO MARGIN TRADING

7.3.3.1 Margin Trading Policy

Saxo Bank Group's Margin Trading Risk Management Policy establishes principles for managing credit risks from clients' margin trading including risks in the event of a market price gap (see further below). The primary tools for controlling Margin Trading Risk is via defining principles for the control of margin setting and the Group's stop-out procedures.

When facilitating margin trades to Saxo Bank Group's clients, the Group is prepared to take Credit Risk

NOTE ON "MARKET PRICE GAPS"

Market Price Gap-risk is the main financial risk in the Group's business model. A Market Price Gap can occur when liquidity disappears from the market, making it impossible to liquidate clients' positions via the normal stop-out procedures, which would otherwise prevent client losses from exceeding posted collateral. Market price gaps may occur due to unexpected events or unforeseen circumstances e.g. geo-political events, political intervention, natural disasters etc.

The risk of observing "market price" gaps is in general highest when:

- The market has been closed for a period of time e.g. overnight or over weekends
- Central Banks communicate decisions on economic policy
- Political uncertainty
- Release of certain economic data

10 European Banking Authority.
11 To clients other than Prime Brokers and WLC (White Label clients). WLCs are financial intermediaries, which offer Saxo Bank Group's products and the Group's trading-platform to their own clients in their own name.
12 International Swaps and Derivatives Association-agreements.

against collateral (margin) to support non-institutional[11] clients' margin trading within the leverage limits offered by Saxo Bank Group.

To limit counterparty credit risk on individual Brokers, Saxo Bank Group uses (standard) netting and collateral agreements in the form of ISDA[12] Master Agreements with Credit Support Annexes limiting risk to daily margin calls. Collateral posted by Saxo Bank Group as initial margin is pledged via a tri-party setup at a custodian, which protects the Group from credit risk when pledging collateral.

Saxo Bank Group calculates and monitors clients' margin requirements in real-time, and clients must at all times meet their margin requirement. In case of breach of margin requirements a stop-out procedure can be performed.

7.3.3.2 Credit Risk from Market Price Gaps

The Board of Directors has defined a Risk Appetite on large market price gaps.

To proactively mitigate risks from Market Price Gaps, the Group has ongoing risk monitoring and discussions among key stakeholders who meet on a weekly basis to address risk concentrations and pro-actively impose risk mitigants when necessary.

In addition, the Group has imposed the following mitigating measures:

- Trading via Saxo Bank Group can only be initiated subject to the client's acceptance of the Group's General Business Terms including close-out and collateral netting agreements or other standard legal terms for trading.

- The Group calculates and monitors clients' margin requirements in real-time, and clients must all times meet their margin requirement.

FIGURE 6: EXPOSURE AT DEFAULT AND COLLATERAL EFFECT, END-OF-YEAR 2019

Counterpart Credit Risk Exposure, ultimo 2019
(DKK billions)

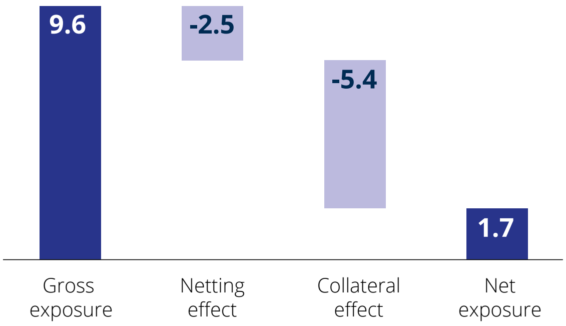
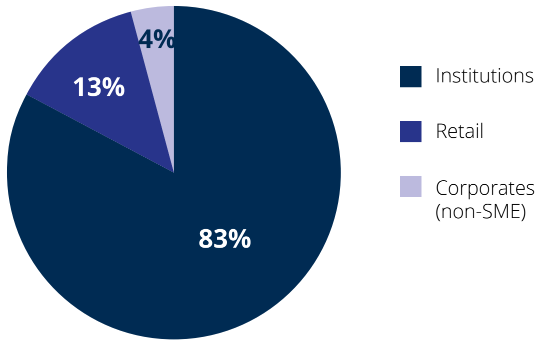


FIGURE 7: CCR EXPOSURE BY EXPOSURE CLASS

Counterparty Credit Risk Exposure by Exposure Class, ultimo 2019



- Daily stress tests related to margin trading are conducted on all clients and reported to the Board of Management. The stress tests calculate uncollateralised exposures in different market price gaps scenarios benchmarked against the defined risk appetite tolerance.

7.3.3.3 Wrong Way Risk

Wrong-way risk is the risk of increased credit exposure to a counterparty as that counterparty's creditworthiness deteriorates. Saxo Bank Group does not have any appetite for specific wrong-way risk.

7.3.3.4 Credit Valuation Adjustment (CVA)

Saxo Bank Group applies the standardised method for calculating the own funds requirements of CVA risk. CVA risk is defined as the risk of losses from adjustment to the mid-market valuations to reflect credit risk of the counterparty, when measuring fair value of derivatives or similar fair value measured financial assets.

Saxo Bank Group has limited exposure to CVA risk since most counterparties over-collateralise their positions, and the average maturity of counterparties is only rarely higher than 1 year. The main part of the CVA risk is against Brokers who all have investment grade ratings and diversified exposures with the Group. EU regulation exempts certain non-financial counterparties from CVA risk calculations. As of 31 December 2019 the CVA risk in Saxo Bank Group amounted to DKK 264 million in Risk Exposure Amounts and DKK 21 million in minimum capital requirement.

7.4 CAPITAL REQUIREMENT FOR CREDIT- & COUNTERPARTY CREDIT RISK

TABLE 3: REA FOR CREDIT- & COUNTERPARTY CREDIT RISK FOR SAXO BANK GROUP

DKK million	Saxo Bank Group Q4 2019
Risk Exposure Amount	6,521
Capital Requirements (8%)	**522**

8 MARKET RISK

8.1 MARKET RISK DEFINITION

Market Risk is defined as the risk of a loss in value as a result of changes in market rates and parameters that affect market values, e.g. interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

8.2 MARKET RISK IN SAXO BANK GROUP

Saxo Bank Group's market risks can be grouped into the following two main categories:

1. Trading market risk exposures related to supporting the Group's facilitation of online trading and investment services.
2. Market risk from the Group's liquidity placement in bonds.

See Appendix 2 for list of methods on the market risk area. The risk exposure amounts related to market risk consist of:

1. Interest rate risk related to positions in the Trading Book.
2. Equity price risk related to positions in the Trading Book.
3. Commodity risk related to all commodity positions.
4. Foreign-exchange risk related to all foreign-exchange positions.

Fundamental Review of the Trading Book (FRTB) was implemented into CRR 2 as a reporting requirement only. The reporting requirement is expected to come into force in 2021. The CRR 2 reporting requirement evolves around the "Alternative Standardised Approach". For Saxo Bank Group the current market risk Pillar I approach continues under CRR 2.

8.3 GOVERNANCE WITHIN THE MARKET RISK AREA

The Board of Directors supported by the Board of Management set out Risk Management principles, the Risk Appetite and limits within the Market Risk Area.

In order to support Management with the above the Market and Counterparty Credit Risk Committee (MCCRC) meets on a regular basis to address market risk related issues.

Market Risk in Saxo Bank Group is managed by two first line organisational units:

Group Treasury: Group Treasury manages Saxo Bank Group's liquidity risk by e.g. the placement of excess liquidity in bonds and deposits with other credit institutions and central banks. The Group's bond portfolio is susceptible to market risk and bonds and receivables are subject to foreign exchange risk.

Trading & Market Access: Trading & Market Access facilitates trading flow on the client side and market risk, including foreign exchange risk, can thus arise as a result of non-perfect matching of clients' trades.

The second line of defense is Group Risk and Capital Management who provide monitoring and reporting to first line and management, and Group Compliance who provide oversight.

Internal Audit acts as the third line of defense.

8.4 MARKET RISK POLICY

The Board of Directors has defined the overall Group Market Risk Policy. The purpose of the Market Risk Policy is to determine the overall guidelines for the Group's management of market risk exposures.

Based on the Risk Appetite Statement and the Market Risk Policy, market risk limits have been delegated to the Trading & Market Access department and to Group Treasury.

8.5 MARKET RISK EXPOSURE MANAGEMENT

Market risk is monitored against the limits set by the Board of Directors in the Risk Appetite Statement and risk monitoring is done on a continuous basis by the second line function.

Limits and utilisation hereof are reported on a daily basis to the Board of Management and at least monthly to the Board of Directors.

TABLE 4: OWN FUNDS REQUIREMENT MARKET RISK, SAXO BANK GROUP

DKK million	Saxo Bank Group Q4 2019
General risk	120.0
Specific risk	53.9
Commodity risk	27.6
Equity Risk	3.7
Foreign Exchange	70.8
Own Funds Requirement	276.0
REA Market Risk	**3,451.0**

8.5.1 INTEREST RATE RISK

Saxo Bank Group's interest rate risk in the Trading and Banking book is determined by the standard interest rate risk measure modified duration; i.e. change of market value when the yield is changed by a certain percentage. Saxo Bank Group applies a +100 bps change of the yield curves. Any negative interest rate risk is netted with positive interest rate risk when calculating the net interest rate risk and amounts expressed in foreign currencies are converted into DKK.

8.5.2 FOREIGN-EXCHANGE RISK

Saxo Bank Group's Foreign-exchange risk is divided into two measures: Delta risk and non-delta risk. The delta risk represents the largest of all net long or short positions per currency summarised. The delta risk is mainly driven by Saxo Bank Group's role as liquidity provider in the market for FX spot, forwards and options whereas the daily liquidity management is a minor contributor to the total Foreign-exchange risk.

Table 5 shows the composition of the largest net long and net short FX positions at year-end 2019.

TABLE 5: NET FX POSITION BY CURRENCY

DKK 1,000	Net Long	Net Short
USD	42,051	
GBP	27,293	
CHF	10,376	
EUR		146,894
SGD		45,714
INR		23,699
Other currencies	45,068	29,099
Total	**124,788**	**245,406**

The non-delta risk represents an additional FX risk inherent in Saxo Bank Group's positions in FX Options. The non-delta risk is calculated per currency pair and the largest contributors as of end of year are stated below.

TABLE 6: NON-DELTA FX RISK BY CURRENCY PAIR

DKK 1,000	Risk Exposure
USDJPY	181,027
EURJPY	175,541
AUDUSD	70,346
USDCHF	51,725
Other currency pairs	160,077
Total	**639,316**

See further information on Market Risk in the Additional Pillar III information.

9 OPERATIONAL RISK

9.1 OPERATIONAL RISK DEFINITION

Operational risk is defined as the risk of losses due to inappropriate or inadequate internal procedures, human errors and system errors or as a result of external events.

9.2 OPERATIONAL RISK IN SAXO BANK GROUP

Due to its nature, operational risk can occur in all aspects of Saxo Bank Group's business and in all areas of the organization.

Within its client-facing business areas, Saxo Bank Group is mainly exposed to operational risk related to sound business practices and consumer protection, as well as legal and compliance risks.

Saxo Bank Group uses the Basic Indicator Approach, as per CRR art. 315, to calculate the Risk Exposure Amounts for operational risks (Pillar I). Under the Basic Indicator Approach, the Risk Exposure Amounts for operational risk is calculated as an average over three years of the sum of following accounting related items:

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

9.3 GOVERNANCE WITHIN THE OPERATIONAL RISK AREA

The Board of Directors supported by the Board of Management set out Risk Management principles, the Risk Appetite and limits within the Operational Risk Area.

The overall objective of the operational risk management framework is to define standards, tools and processes to support the organisation in proactively identifying, assessing, monitoring and managing/mitigating operational risks to stay within the Risk Appetite limits as defined by the Board of Directors.

Furthermore, operational risk is governed through a number of committees and policies, as a part of the Saxo Bank Group's overall risk management framework and governance structure.

To support the desired risk culture, Saxo Bank Group emphasises having a clear governance structure assigning precise roles and responsibilities for the conduct of business and employees including management of risks in Saxo Bank Group, adherence to the code of conduct and applicable company policies and business procedures, and risk training, risk awareness, and incentives programmes.

9.3.1 OPERATIONAL RISK POLICY

The Board of Directors has defined the Saxo Bank Group Operational Risk Policy, covering also Information & Cyber Security Risk and Contingency Risk, which consists of Crisis Risk, Business Continuity Risk, and the Group's Insurance policy, and articulated the Group's operational risk appetite.

Operational risks are not desired risks and Saxo Bank Group seeks to proactively and reactively mitigate such risks in adherence with the Group's risk appetite and ensure risk management efforts are aligned with the Group's risk culture objectives.

The responsibility for the proactive identification, management and mitigation of operational risks is the responsibility of the whole organisation.

Non-Financial Risk Management and Group Compliance act as the second line of defense for operational and compliance risks, respectively, providing the framework and guidance to enable sound risk management practices and ensure regulatory compliance.

Internal Audit acts as the third line of defense.

9.4 OPERATIONAL RISK EXPOSURE MANAGEMENT

Operational risks are identified and assessed through regular self-assessment processes, at least annually, to assess the quality of internal controls, ensure that all material operational risks inherent in Saxo Bank Group's products, activities, processes and systems are captured and reassessed in a systematic and timely manner and identify areas for improvements.

Moreover, all material changes in Saxo Bank Group's products, activities, processes and systems are subject to a formal, internal risk assessment and approval processes. Particular focus is placed on the understanding of the Group's resilience to operational risk exposures with a low likelihood of occurrence yet can have a severe impact on the business.

Saxo Bank Group's operational risk profile is monitored on a regular basis, and reported to the Board of Directors and the Management's Risk Committee at least quarterly and without delay whenever the situation dictates so. Moreover, operational risk events with a direct or indirect loss exceeding DKK 300 thousand must be reported to the Management's Risk Committee and if exceeding DKK 1 million also reported to the Board of Directors.

Saxo Bank Group strives to obtain maximum learning from materialised operational events and observed near misses. Operational events and near misses that are equal to or higher than DKK 15 thousand, arising from operational risk incidents are collected and registered in the Group's error register. Risk assessments and root cause analysis are performed to effectively address and provide future mitigants to material operational risk events.

9.4.1 MITIGATION OF OPERATIONAL RISKS

Saxo Bank Group uses mainly three methods to mitigate risks:

Controls: Appropriate internal controls are designed and implemented to ensure that operational risks are mitigated to remain within the risk appetite.

Insurance coverage: Insurance coverage is used for protection against unexpected and substantial unforeseeable losses to ensure that key risks related to conducting the business and Saxo Bank Group's key tangible assets and employees are covered and safeguarded effectively and sufficiently.

Contingency plans: Saxo Bank Group's contingency plans establish the processes and procedures necessary to ensure that all business critical processes, services, and personnel remain operational at an acceptable level in the event of a severe disruptive event.

9.5 CAPITAL REQUIREMENT CONCERNING OPERATIONAL RISK (PILLAR I)

TABLE 7: REA CONCERNING OPERATIONAL RISK FOR SAXO BANK GROUP

DKK million	Saxo Bank Group Q4 2019
Risk Exposure Amount	6,586
Capital Requirements (8%)	**527**

10 LIQUIDITY RISK

10.1 LIQUIDITY RISK

Liquidity Risk is defined as:

- The risk that Saxo Bank Group´s cost of funding rises to disproportionate levels or in worst case prevents the Group from continuing as a going concern under its current business model.

- The risk that Saxo Bank Group does not have sufficient liquidity to fulfil its payment obligations as and when they fall due.

- The risk that Saxo Bank Group does not comply with regulatory liquidity requirements, e.g. liquidity coverage ratio.

Following the BinckBank acquisition, the level of Saxo Bank Group's LCR has shifted substantially upwards to 450% year-end 2019 as opposed to 264% at year-end 2018.

10.2 LIQUIDITY RISK IN SAXO BANK GROUP

Saxo Bank Group places clients' deposits in highly liquid assets to provide for a very strong actual liquidity base to support the primary operations of the Group, which is to facilitate trading and investment in financial markets for its clients. Saxo Bank Group does therefore not transform its (short term) deposits into long term and illiquid loan commitments such as most other banks.

The primary liquidity risk of Saxo Bank Group is therefore also not a "bank run" as can be the case for a retail bank, but rather the risk of an adverse market movement (price gap) following which Saxo Bank Group will have to pledge collateral for negative values.

10.3 GOVERNANCE WITHIN THE LIQUIDITY RISK AREA

The Board of Directors supported by the Board of Management set out Risk Management principles, the Risk Appetite and limits within the Liquidity Risk Area.

Saxo Bank Group operates with three lines of defense on the Liquidity area with the first line of defense as Group Treasury who is responsible for managing liquidity risk. This includes the overall responsibility for the liquidity management and planning in Saxo Bank Group including subsidiaries.

The second line of defense is Group Risk and Capital Management and Group Compliance who provide oversight and monitoring.

Internal Audit is third line of defense.

10.3.1 LIQUIDITY POLICY

To manage liquidity risk and stay within the defined Risk Appetite limits the Board of Directors has defined Saxo Bank Group's Liquidity Policy.

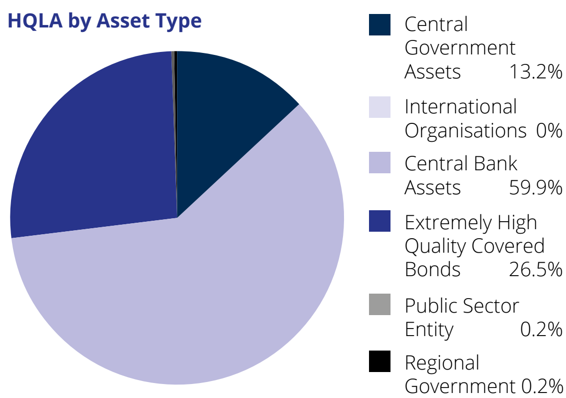
Saxo Bank Group has a low appetite for liquidity risk, and the overall strategy of liquidity risk management is to ensure that the Saxo Bank Group at all times has a strong liquidity position with a safe margin to the regulatory and Board defined minimum requirements. The Board defined minimum LCR requirement is defined as a 20 %-points buffer to the LCR minimum requirement, i.e. the LCR ratio must be at least 120 %. The 20 %-points buffer is set following the yearly ILAAP-process.

10.4 LIQUIDITY RISK EXPOSURE MANAGEMENT

Managing daily liquidity in Saxo Bank Group means providing products (whether e.g. listed derivatives, OTC-derivatives, stocks, bonds or ETFs[13]) to customers via the Group's trading platform. When trading these products with the Group's Brokers, the Group needs liquidity for the actual trading as well as for the placement of margin. Margin requirements cover Initial Margin when opening new positions and Variation Margin for negative values.

Due to Saxo Bank Group's very liquid position the handling of daily liquidity including intra-day liquidity can be accommodated by using liquidity from Saxo Bank Group's operational liquidity buffer or from e.g. selling bonds or by collateralising bonds in the Danish Central Bank.

FIGURE 8: HQLA BY ASSET TYPE



10.4.1 LIQUIDITY STRESS TESTING

To ensure that Saxo Bank Group stays with a safe distance to Board and regulatory limits and always has sufficient liquidity to meet margin requirements, the Group utilises stress tests.

The defined stress scenarios include: A market wide, an idiosyncratic- and a combined scenario. For each period a different severity of stress is applied and potential mitigating actions are taken into account. The market wide and the idiosyncratic scenarios represent highly unlikely, however not unimaginable, events whereas the combined scenario is considered extremely severe, but still plausible.

10.4.2 LIQUIDITY REPORTING

To monitor liquidity risk Saxo Bank Group performs daily liquidity calculations and monitoring of liquidity risk metrics (LCR) as well as of the liquidity position.

Group Risk & Capital Management assume responsibility for appropriate liquidity risk reporting in the Group including:

A yearly ILAAP to the Board of Directors is produced. The ILAAP focuses on the LCR requirement and Saxo Bank Group's required level of liquidity. The ILAAP is approved by the Board of Directors on a scheduled Board meeting.

A monthly Risk & Capital Report including key metrics on liquidity to the Board of Directors and Board of Management.

A Daily Treasury Report to the Board of Management. The report contains e.g. lines and utilisation hereof within key risk ratios as well as a position list for the liquidity buffer and the daily calculated LCR.

13 Exchange Traded Funds.

10.5 FUNDING

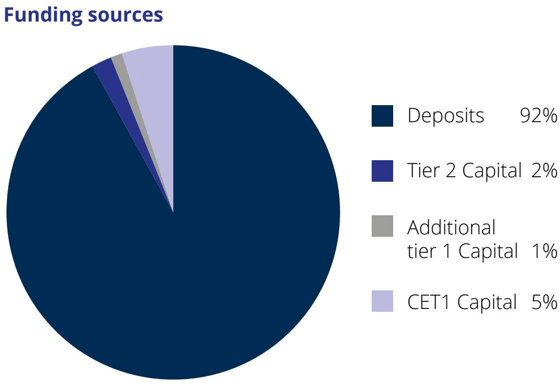
Saxo Bank Group relies on deposits as the main source of funding and not excessively on market funding. The Group has a diversified portfolio of deposits ranging from retail deposits from private customers to large deposits from financial counterparties.

10.6 NET STABLE FUNDING RATIO

CRR 2 will impose the Net Stable Funding Ratio (NSFR) applicable from June 2021, which has the purpose of preventing banks from relying on unstable funding and to promote a stable funding structure. The NSFR requirement is introduced at 100% meaning that institutions' available funding must equal or exceed 100% of their required funding. Saxo Bank Group has monitored its (internal) NSFR ratio for several years and continues to have a stable funding structure.

The main components requiring stable funding in Saxo Bank Group (RSF) are liquid assets and derivatives and the components supplying available stable funding (ASF) are own funds and deposits.

FIGURE 9: FUNDING SOURCES



In addition to the LCR requirement, Saxo Bank Group complies with the liquidity requirement of the Supervisory Diamond. The fulfilment of current Danish liquidity requirement is published in the Supervisory Diamond 2019 report available at www.home.saxo/about-us/investor-relations.

TABLE 8: LCR DISCLOSURE TEMPLATE AVERAGE QUARTERLY LCR RATIOS.

LCR disclosure template, on quantitative information of LCR.

	Consolidated	Total Adjusted Value			
	Currency and units (DKK million)				
	Quarter ending	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
	Number of data points used in the calculation of averages	3	3	3	3
21	LIQUIDITY BUFFER	17,419	17,293	30,390	40,471
22	TOTAL NET CASH OUTFLOWS	6,007	5,626	6,118	8,023
23	LIQUIDITY COVERAGE RATIO (%)	290	307	497	504

11 ASSET ENCUMBRANCE

Saxo Bank Group's main business activity includes derivatives trading, which requires posting collateral to cover margin requirements. Accordingly, Saxo Bank Group's asset encumbrance originates mostly from bonds and cash placed as collateral to cover margin requirements from financial counterparties and brokers.

End of December 2019 8.7 % of the total balance sheet was encumbered.

Saxo Bank Group can encumber a large part of its balance sheet to obtain liquidity if need be as almost all of the Group's bonds are eligible for repo transactions and are central bank eligible. Saxo Bank Group does not, however, depend on asset encumbrance for financing purposes.

Additional information on Asset Encumbrance in Saxo Bank Group can be found in the Additional Pillar III Disclosure.

12 MANAGEMENT DECLARATION[14]

The Board of Directors assesses that Saxo Bank Group's risk management framework is adequate in relation to Saxo Bank Group's risk profile and strategy, and that it complies with the applicable regulation. Furthermore, it is the Board of Directors' assessment that the description of the Group's overall risk profile associated with Saxo Bank Group's business strategy and business model reflect the actual risks. In addition, this Risk Report provides a relevant and a comprehensive review of Saxo Bank Group's risk management. Information in this report has been prepared in accordance with the internal control processes of Saxo Bank Group.

The business model description in this report adequately describes the business model of Saxo Bank Group and the Risk Appetite and Risk Policies defined by the Board of Directors adequately define the desired risk levels. Saxo Bank Group's Risk Governance framework ensures that the Group stays within the Risk Appetite levels and policies. Saxo Bank Group has a Total Capital Ratio of 32.9% against a requirement, including Combined Capital Buffer requirement, of 16.7%

TABLE 9: KEY RATIOS

Risk Ratio	Actual Ratio	Requirement
Capital Adequacy	32.9%	16.7%
Liquidity Coverage Ratio	450%	100%

Saxo Bank Group's Board of Directors and Board of Management have approved the Risk Report for 2019 in accordance with article 435 in the CRR[15].

BOARD OF DIRECTORS

Ian Zhang
Board Member

Daniel Donghui Li
Chairman

Henrik Normann
Vice Chairman

Preben Damgaard
Board Member

Patrick Lapveteläinen
Board Member

BOARD OF MANAGEMENT

Kim Fournais
CEO

Søren Kyhl
COO

Steen Blaafalk
CFRO

14 This declaration is given according to CRR art. 435 (1) and Annex I – Table EU LIQA on liquidity risk management of EBA/GL/2017/01: Declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution.
15 Capital Requirement Regulation 575/2013.

13 APPENDIX 1: SUBSIDIARIES OF SAXO BANK A/S

Owner	Company Name	Type of license	Domicile	IFRS Consolidation method	CRR Regulatory Capital Consolidation	Regulation
-	Saxo Bank A/S	Licensed Bank	Denmark	Fully consolidated	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Banque France SAS, France	Licensed Bank	France	Fully consolidated	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Bank Securities Ltd., Japan	Licensed Broker	Japan	Fully consolidated	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Bank (Schweiz) AG, Switzerland	Licensed Bank	Switzerland	Fully consolidated	Fully consolidated	Local bank regulation
Saxo Bank A/S	Star Bidco B.V., the Netherlands (BinckBank N.V.)	Licensed Bank	Netherlands	Fully consolidated	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Capital Markets Pte. Ltd., Singapore	Licensed Broker and Capital Markets Services	Singapore	Fully consolidated	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Capital Markets UK Ltd., UK	Licensed Broker	United Kingdom	Fully consolidated	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Capital Markets Pty Ltd., Australia	Licensed Broker	Australia	Fully consolidated	Fully consolidated	Local broker regulation
Saxo Bank A/S	Saxo Capital Markets HK, Hong Kong	Licensed Broker	Hong Kong	Fully consolidated	Fully consolidated	Local broker regulation
Saxo Bank A/S	BG Saxo SIM S.p.A	Licensed Broker	Italy	Fully consolidated	Fully consolidated	CRR (EU requirements)
Saxo Bank A/S	Saxo Far East (HK) Limited, Hong Kong	Financial	Hong Kong	Fully consolidated	Fully consolidated	Local regulation
Saxo Bank A/S	Ejendomsselskabet Bygning 119 A/S, Denmark	Non-financial	Denmark	Fully consolidated	Fully consolidated	N/A
Saxo Bank A/S	Saxo Group India Private Limited	Non-financial	India	Fully consolidated	Fully consolidated	N/A
Saxo Bank A/S	Initto A/S, Denmark	Non-financial	Denmark	Fully consolidated	Fully consolidated	N/A

TRANSFER RESTRICTIONS ON GROUP LEVEL

The Bank's financial subsidiaries, comply with EU regulation or local capital and liquidity Requirements. In addition, non-financial subsidiaries may have other legal restrictions. Transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries should comply with all regulatory requirements. These requirements limit the transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

TRANSFER RESTRICTIONS IN SWITZERLAND

Saxo Bank (Switzerland) AG, Switzerland: FINMA[16] has reserved right to diminish inter- company balances to zero in case of transfer restrictions imposed by foreign regulator.

14 APPENDIX 2: MARKET RISK METHODS

Saxo Bank Group applies the following methods in the market risk area:

Market Risk Methods:

- Equity Price Risk: The Standardised Approach[17]
- Foreign-exchange Risk: The Standardised Approach[18]
- Interest Rate Risk: The Duration Based Approach[19]
- Option Risk, non-delta (gamma, vega): The Scenario Approach[20]
- Commodity Risk: The Maturity Ladder Method[21]

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16 Swiss Financial Market Supervisory Authority
17 CRR art. 341-344.
18 CRR art.351-355.
19 CRR art. 340.
20 CRR art. 329.
21 CRR art. 359.