Saxo Payments A/S

Philip Heymans Allé 15

2900 Hellerup

CVR no. 32 33 88 95

Annual Report 2017

Approved at the Company's general meeting on 27 March 2018

Chairman:

Thomas Kræmer

Contents

Statement by the Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Saxo Payments A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report is approved at the annual general meeting.

Hellerup, 27 March 2018

Executive Board:

Laust Vrist Bertelsen CEO	Anders la Cour CEO

Board of Directors:

Søren Kyhl Chairman	Steen Blaafalk Board member
Paul Townsend Board member	Lars Torpe Christoffersen Board member

Independent auditors' report

To the shareholders of Saxo Payments A/S

Opinion

We have audited the financial statements of Saxo Payments A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditors' report

Auditor's responsibilities for the audit of the financial statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditors' report

Statement on Management's review (continued)

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 27 March 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard	Thomas Hjortkjær Petersen
State Authorised Public Accountant	State Authorised Public Accountant
MNE no. mne28632	MNE no. mne33748

Management's review

Company details

Name	Saxo Payments A/S
Address, zip code, city	Philip Heymans Allé 15, 2900, Hellerup
CVR no.	32 33 88 95
Established	27 June 2013
Registered office	Gentofte
Financial year	1 January – 31 December
Board of Directors	Søren Kyhl (Chairman) Steen Blaafalk Lars Torpe Christoffersen Paul Townsend
Executive Board	Laust Vrist Bertelsen Anders la Cour
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg

Management's review

Principal activities of the Company

The Company's principal activity is to offer payment services and associated activities. The Company has a payment institution license and is under supervision by the Danish Financial Supervisory Authority.

The Company operates a global account infrastructure by connecting with traditional banks to make cross border transactions through a one-stop-shop with reduced complexity, time, and costs and in a secure and compliant environment.

The Company also provides access to the core banking services, allowing digital challengers to issue bank accounts to their merchants, make cross border bank transfers and enable merchants to transfer funds to almost any country in the world in their own name.

The Company is aiming to expand its product offering and business perspectives by setting up a bank in the Eurozone. The future bank, which will be located in Luxembourg, will take over the current activities of the Company, when the banking license has been obtained. Currently the Company has offices in the Denmark, UK, Germany and Luxembourg.

Risk Management

Apart from the general risks including operational risk associated with the business model, the Company is especially subject to credit risk from the liquidity management activities. The Company only places funds in Credit Institutions with a high credit rating and within a set of predefined limits, that are monitored on a daily basis.

Generally, the Company strives to manage and mitigate those risks that it has influence upon in order to ensure that risks are within the risk appetite of the Company. The Company may be subject to external events beyond its control, e.g. acts of terror, political intervention, changes in technology or other rare and unpredictable events. The Company strives to be observant and responsive to changes in the external environment.

Development projects

The Company spends a significant amount of time on development projects to ensure that the basis for future growth of the business is present. The development projects are focused on enhancing and scaling up the current payment system to cater for the expected growth in business activity. In 2017 the capitalized costs regarding development projects amounted to DKK 11.6mn and for 2018 the capitalized costs are expected to be at the same level.

In previous years development projects of total DKK 16.8mn have been finalized and transferred to Developed Software. The book value of the finalized development projects less depreciations amounts to DKK 11.4mn at 31 December 2017.

Financial development in 2017

During 2017 the Company has successfully continued to build up its revenues and increased the Gross margin from DKK 11mn in 2016 to DKK 49mn in 2017.

At the same time the scaling activities have led to a corresponding rise in cost levels. Total result for the year shows a loss of DKK 59mn after tax, same level as 2016.

Loss for the year is not satisfactory compared to the expectations, but still acceptable as the costs are related to scaling up the business including activities to set up a bank.

During the year the Company has issued shares for a total amount of DKK 44,982 thousand.

Expected financial development in 2018

Management expects an improved net profit for 2018 compared to 2017. Scaling activities will lead to significant increases in revenues but also to increases in the cost base resulting in a net profit, which is still negative, but less so than in 2017.

Management's review

Expected financial development in 2018 (continued)

After inclusion of anticipated joint taxation contribution for 2017, cf. note 8 to the financial statements and the capital increase in March 2018, the cash flow and capital budget for 2018 shows, that the Company has the necessary funds and capital to carry through planned activities until such time, where Management expects that a banking license will be obtained as well as further capital increase in connection to this.

Based on the above the Executive Board and the Board of Directors believe the Company's capital and liquidity base are sufficient to continue the operations throughout 2018.

Events after the balance sheet date

The Company has carried out a capital increase in March 2018 of DKK 22mn. Besides this, no events occurring after the balance sheet date have significant influence on the Company's financial position at 31 December 2017.

Key figures and ratios

DKK 1,000	**2017**	**2016**	**2015**	**2014**	**2013***
Revenue (Interest income + Fee and commission income)	61,754	17,161	1,139	212	3
Gross margin (Net interests + Net fees and commissions + Price and exchange rate adjustments)	49,243	10,593	626	196	8
Profit/loss before tax	-71,374	-72,366	-69,015	-33,869	-9,058
Profit/loss for the year	-58,616	-58,213	-55,766	-27,147	-7,585
Total assets	2,453,968	1,135,189	123,390	59,537	66,469
Investments in intangible assets	11,603	10,273	3,096	3,586	0
Equity	44,042	57,983	66,041	47,619	64,416

Operating margin	neg.	neg.	neg.	neg.	neg.
Gross margin ratio	79.7%	61.7%	55.0%	92.5%	266.7%
Equity ratio	1.8%	5.1%	53.5%	80.0%	96.9%
Return on equity	neg.	neg.	neg.	neg.	neg.

The format of key figures and ratios are adapted to the Company's principal activity as financial payment services provider.

*) Please note that 2013 only comprises the period 27 June 2013 – 31 December 2013.

Financial statements for the period 1 January – 31 December

Income statement

Note	DKK 1,000	2017	2016
	Interest income	4,959	66
	Interest expense	-3,756	-842
	Net interests	**1,203**	**-776**
3	Fee and commission income	56,795	17,095
	Fee and commission expense	-10,092	-6,297
	Net fees and commissions	**46,703**	**10,798**
	Price and exchange rate adjustments	1,337	571
4	Staff costs	-49,698	-32,290
	Other external costs	-61,087	-42,744
6,7	Depreciation and amortization	-9,832	-7,925
	Loss before tax	**-71,374**	**-72,366**
5	Tax on loss for the year	12,758	14,153
	Loss for the year	**-58,616**	**-58,213**

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK 1,000	2017	2016
	ASSETS		
	Non-current assets		
6	**Intangible assets**		
	Developed software	11,382	14,750
	Purchased software	59	82
	Knowhow	3,094	9,281
	Trademarks and licenses	71	214
	Development projects	11,603	0
		26,209	**24,327**
7	**Tangible assets**		
	Leasehold improvements	449	370
	Other plant, fixtures and equipment	31	7
		480	377
	Total non-current assets	**26,689**	**24,704**
	Current assets		
	Receivables		
	Trade receivables	3,271	1,368
	Receivables from group enterprises	0	264
8	Current tax assets, joint taxation	12,800	26,673
	Deposits	1,826	382
	Other receivables	32	1,031
	Prepayments	10,842	7,964
	Total receivables	**28,771**	**37,682**
9	**Cash at hand and in bank**	**2,398,508**	**1,072,803**
	Total current assets	**2,427,279**	**1,110,485**
	TOTAL ASSETS	**2,453,968**	**1,135,189**

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK 1,000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,548	1,445
	Reserve for development costs	17,920	10,154
	Retained earnings	24,574	46,384
	Total equity	**44,042**	**57,983**
	Provisions		
8	Deferred tax	1,288	382
	Total provisions	**1,288**	**382**
	Liabilities		
	Current liabilities other than provisions		
	Payment accounts	2,381,426	1,055,960
	Trade payables	1,775	2,237
	Payables to group enterprises	371	217
	Corporation tax	573	477
	Other payables	24,493	17,933
	Total current liabilities	**2,408,638**	**1,076,824**
	TOTAL LIABILITIES	**2,453,968**	**1,135,189**

1 Accounting policies
2 Capital position
10 Mortgages and collateral
11 Contractual obligations and contingencies, etc.
12 Related parties
13 Distribution of loss

Financial statements for the period 1 January – 31 December

Equity

DKK 1,000	Share capital	Share premium	Reserve for develop-ment cost	Retained earnings	Total
Balance at 1 January 2016	**1,340**	**0**	**0**	**64,701**	**66,041**
Capital increase	105	49,228	0	0	49,333
Share premium transferred to retained earnings	0	-49,228	0	49,228	0
Share-based payments	0	0	0	1,062	1,062
Exchange rate adjustments				-240	-240
Adjustment of reserve for development cost	0	0	10,273	-10,273	0
Transferred; see distribution of loss	0	0	-119	-58,094	-58,213
Balance at 31 December 2016	**1,445**	**0**	**10,154**	**46,384**	**57,983**
Capital increases	103	44,879	0	0	44,982
Cost associated with capital increases	0	0	0	-359	-359
Share premium transferred to retained earnings	0	-44,879	0	44,879	0
Share-based payments	0	0	0	174	174
Exchange rate adjustments	0	0	0	-122	-122
Adjustment of reserve for development cost	0	0	11,603	-11,603	0
Transferred; see distribution of loss	0	0	-3,837	-54,779	-58,616
Balance at 31 December 2017	**1,548**	**0**	**17,920**	**24,574**	**44,042**

The share capital of 1,547,901 shares with a nominal value of DKK 1 per share is divided into the following classes: A, DKK 1,508,081 and B, DKK 39,820.

Changes in share capital since establishment on 27 June 2013 can be specified as follows:

DKK 1,000	31 December 2017	31 December 2016	31 December 2015	31 December 2014	27 June 2013
Balance at 1 January	1,445	1,340	1,142	1,000	0
Cash capital increase	103	105	198	142	1,000
	1,548	**1,445**	**1,340**	**1,142**	**1,000**

Financial statements for the period 1 January – 31 December

Equity (continued)

Warrants

A total number of 23,332 warrants (rights to subscribe for 23,332 class B shares) have been granted to Management and employees of the company. The warrants are measured at fair value at the grant date and are recognised as an expense in Staff costs over the vesting period. Expenses are set off against shareholders' equity. The warrants can be exercised in 2019.

The warrants are conditional on performance of Saxo Payments A/S and presence of the holders concerned, unless terminated without cause. The warrants may be exercised during 1 January 2019 until 30 June 2019. The warrants or portions thereof that are not exercised by 30 June 2019 will be deemed forfeited without any further compensation.

The total warrants outstanding are:

DKK 1,000	Exercise price	Expiry date	Exercise period	31 December 2017	31 December 2016
Warrants in 2014	72.00	2019	2019	19,999	48,332
Warrants in 2015	246.25	2019	2019	3,333	62,238
Warrants in 2016	373.11	2019	2019	-	8,040
				23,332	118,610

In 2017, 95,278 warrants have been forfeited (2016: 1,668 warrants). No warrants have been exercised or expired in 2017 or 2016.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Saxo Payments A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class C (medium) entities. The annual report of Saxo Payments A/S for 2016 was prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities. The change in reporting class has not resulted in changes in recognition and measurements in the annual report, only further disclosure requirements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The format of the income statement is adapted to the Company’s principal activity as financial payment services provider.

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the parent Company Saxo Bank A/S.

The financial statements are presented in Danish kroner.

Foreign currency translation

The functional currency used is Danish kroner. Other currencies are considered foreign currencies.

Transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as price and exchange rate adjustments.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as price and exchange rate adjustments.

Income statement

Interest, fees and commissions

Interest, fees and commissions comprise interest income and expenses related to cash at banks. Fees and commission income and expenses comprises payment fees and FX fees related to the payment activity.

Interest income and expenses are recognised in the income statement at the transaction date with the amounts that relate to the financial year. Fees and commissions income and expenses are recognised in the income statement at the transaction date with the amounts that relate to the financial year.

Notes to the financial statements

1 Accounting policies (continued)

Price and exchange rate adjustments

Price and exchange rate adjustment comprise gains and losses related to foreign exchange rate adjustments of the balance sheet items.

Price and exchange rate adjustments of foreign currency positions and securities is measured at fair value on the balance sheet date and recognised in the income statement by the amounts that relate to the financial year.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pensions and other social security costs etc., for the Company's employees.

Share-based payments

The Board of Directors, the Board of Management and other employees have been granted warrants. The warrants are measured at fair value at the grant date and are recognised as an expense in Staff costs 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. The fair value of the warrants is measured using the Black Scholes valuation method. The calculation takes into account the terms and conditions under which the warrants are granted. Subsequent fair value changes are not recognised in the income statement.

If subsequent modifications to a warrant program increase the value of the warrants granted, measured before and after the modification, the increase is recognised as an expense. If the modification occurs before the vesting period, the increase in value is recognised as an expense over the period for services to be received. If the modification occurs after vesting date, the increase in value is recognised as an expense immediately or over the new vesting period if conditional on additional period of services is to be completed.

Other external costs

Other external costs comprise costs for premises and operating leases, insurance, consultancy costs, phone and internet, travel, advertising, office supplies, etc.

Tax on profit for the year

Tax for the year comprises current tax for the year 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 amounts directly recognised in equity is recognised directly in equity.

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Software, knowhow, trademarks and licenses

On initial recognition, intangible assets are measured at cost.

Software, knowhow, trademarks and licences are subsequently measured at cost less accumulated amortisation. Amortisation is done on a straight-line basis over the estimated useful life estimated at 5 years.

Cost comprises the purchase price and any costs directly attributable to the acquisition.

Gains or losses on disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement.

Development projects

Development costs comprise salaries that are directly and indirectly attributable to the development projects.

Development projects that are clearly defined and identifiable, where the technical utilisation degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling and administrative expenses and development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less accumulated amortisation/-impairment losses and the recoverable amount.

Following the completion of the projects, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is maximum 5 years.

Notes to the financial statements

1 Accounting policies (continued)

Tangible assets

On initial recognition tangible assets are measured at cost.

Leasehold improvements and other plant, fixtures and equipment are subsequently measured at cost less accumulated depreciation. The basis of depreciation is cost less expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is done on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements	5 years
Other plant, fixtures and equipment	3 years

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation. Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount. The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life. Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments, recognised as assets, comprise costs incurred concerning subsequent financial years.

Equity

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Notes to the financial statements

1 Accounting policies (continued)

Reserve for development costs

Reserve for development costs is measured as the value of capitalized development cost less deferred taxes since 1 January 2016 less accumulated depreciations for the development projects that are finished after this date. If impairment losses are recognized for development projects the reserve for development is reduced by the same amount. The reserve for development cost cannot be used for distributing dividends or cover losses in the retained earnings.

Corporation tax and deferred tax

The Company is covered by the Danish rules on compulsory joint taxation. Saxo Bank A/S is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid to the administrative company including expected utilization of tax losses by the parent company. The expected utilization is based on a preliminary tax calculation.

Deferred tax is measured on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured according to the tax rules at the balance sheet date and at the tax rates applicable when the deferred tax is expected to materialize as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Payment accounts

Payment accounts include the clients’ foreign currency holdings and are used exclusively for payment transactions.

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are initially recognised at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost, which is usually corresponding to the nominal debt.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

- Operating margin = $\frac{Profit/loss\ for\ the\ year\ x\ 100}{Revenue}$
- Gross margin ratio = $\frac{Gross\ margin\ x\ 100}{Revenue}$
- Equity ratio = $\frac{Equity,\ year\text{-}end\ x\ 100}{Total\ equity\ and\ liabilities,\ year-end}$
- Return on equity = $\frac{\text{Profit/loss for the year x 100}}{\text{Average } equity}$

2 Capital position

The Company complies with the capital requirements in accordance with the rules of the Danish Financial Supervisory Authority at 31. December 2017.

Result for the year shows a loss of DKK 58,616 thousand after tax.

During the year the Company has issued shares for a total amount of DKK 44,982 thousand.

Management expects a significantly improved net profit for 2018 compared to 2017.

After inclusion of anticipated joint taxation contribution for 2017, cf. note 8 to the financial statements and the capital increase in March 2018, the cash flow and capital budget for 2018 shows, that the Company has the necessary funds and capital to carry through planned activities until such time, where Management expects that a banking license will be obtained as well as further capital increase in connection to this.

If the company receives the banking license later than expected, management expects that the owners of the company will provide the necessary liquidity until the banking license and the capital increase in connection to this are obtained.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK 1,000	2017	2016
3 Fee and commission income		
Commission income from group enterprises	968	264
Fee and commission income from payment activity	55,827	16,831
	56,795	**17,095**
4 Staff costs		
Wages and salaries	-53,012	-36,355
Warrants	-233	-1,062
Pensions	-190	-57
Other social security costs	-7,394	-5,089
Wages and salaries transferred to development projects	11,131	10,273
	-49,698	**-32,290**
Average number of full-time employees	70	51

Staff costs include remuneration to the Executive Board, totalling DKK 5,179 thousand (2016: DKK 3,200 thousand), pensions totalling DKK 53 thousand (2016: DKK 7 thousand) and warrants totalling DKK 0 (2016: DKK 327 thousand). Furthermore, the staff cost includes cost of warrants to the members of the Board of Directors, totalling DKK 33 thousand (2016: DKK 138 thousand).

DKK 1,000	2017	2016
5 Tax on loss for the year		
Computed tax on the taxable income for the year	12,198	26,264
Adjustment of deferred tax for the year	-906	-12,035
Adjustment of deferred tax for prior years	0	-115
Adjustment of prior year’s tax	1,466	39
	12,758	**14,153**

Financial statements for the period 1 January – 31 December

Notes to the financial statements

6 Intangible assets

DKK 1,000	Developed software	Purchased Software	Knowhow	Trade-marks and licenses	Develop-ment projects
Cost at 1 January 2017	16,838	117	30,935	715	0
Additions	0	0	0	0	11,603
Transferred from development projects	0	0	0	0	0
Cost at 31 December 2017	16,838	117	30,935	715	11,603
Amortisation at 1 January 2017	-2,088	-35	-21,654	-501	0
Amortisation	-3,368	-23	-6,187	-143	0
Amortisation at 31 December 2017	-5,456	-58	-27,841	-644	0
Carrying amount at 31 December 2017	**11,382**	**59**	**3,094**	**71**	**11,603**

The carrying amount of intangible assets primarily include developed software and ongoing development projects. Developed software and the ongoing development projects are expected to result in future economic benefits through growth in business volumes, economies of scale and efficiency. The related expenses primarily consist of internal expenses in the form of payroll costs.

Management has not identified any evidence of impairment relative to the carrying amount of the intangible assets.

7 Tangible assets

DKK 1,000	Leasehold improve-ments	Other plant, fixtures and equipment
Cost at 1 January 2017	516	160
Additions	182	31
Cost at 31 December 2017	698	191
Depreciation at 1 January 2017	-146	-153
Depreciation	-103	-7
Depreciation at 31 December 2017	-249	-160
Carrying amount at 31 December 2017	**449**	**31**

Financial statements for the period 1 January – 31 December

8 Current and deferred tax

DKK 1,000	2017	2016
Deferred tax at 1 January	382	-11,767
Changes in deferred tax for the year	906	12,150
Exchange rate adjustment	0	-1
Deferred tax at 31 December	**1,288**	**382**
Deferred tax relates to:		
Intangible assets	2,517	3,263
Tangible assets	-22	-19
Tax loss carryforwards	-1,207	-2,862
Total	**1,288**	**382**

The company's current tax asset at 31 December 2017 of DKK 12,800 thousand is based on the expected utilisation in the joint taxation of Saxo Payments A/S' significant tax losses carried forward. Depending on the actual tax filing for 2017 by the parent company, the split between current and deferred tax assets in Saxo Payments A/S may change and the impact may be significant.

9 Cash at hand and in bank

DKK 1,000	2017	2016
Segregated client deposits in external banks	2,139,829	1,055,960
Segregated client deposits with group enterprises	241,597	0
Company's own funds in banks	17,082	16,843
Cash at hand and in bank at 31 December	**2,398,508**	**1,072,803**

Client deposits are segregated from the Company's own funds by placement in separate safeguarded accounts with credit institutions.

10 Mortgages and collateral

The Company has at 31 December 2017 no mortgages or provided collateral.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

11 Contractual obligations and contingencies, etc.

The Company is jointly taxed with other Danish entities in Saxo Bank Group. Saxo Bank A/S is the administrative company for the joint taxation. As a subsidiary the Company is joint and unlimited liable for payments of Danish corporation taxes and withholding taxes on dividends, interests and royalties.

Operating lease liabilities

The Company has entered into a service agreement with Saxo Bank A/ S, which can only be terminated (i) if Saxo Bank A/S' ownership is below 10%, (ii) if demanded by the Danish FSA or other relevant authorities, or (iii) the services are not performed in accordance with the agreement. The estimated service agreement commitment amounted to DKK 626 thousand at 31 December 2017 in the termination period.

The Company has entered into tenancy agreements which can be terminated with 3 to 9 months' notice. The commitment amounted to DKK 7,967 thousand at 31 December 2017 in the termination period.

The Company has entered into a leasing and implementation agreement on IT which can be terminated on 1 March 2019. The leasing and implementation agreement commitment amounted to DKK 16,268 thousand at 31 December 2017 in the termination period.

The Company has entered into several hosting and service agreements with an IT provider with expiry in the period from 14 April 2018 – 17 April 2019. The hosting and service agreement commitment amounted to DKK 388 thousand at 31 December 2017 in the termination period. If the agreement is terminated early, the Company will in addition be subject to a termination fee of DKK 406 thousand.

The Company has no other contractual or contingent liabilities.

12 Related parties

Saxo Payment A/S' related parties comprise:

Parties exercising control

Saxo Bank A/S

Philip Heymans Allé 15,

2900 Hellerup

Saxo Bank A/S holds the majority of the share capital in the Company.

The Company is included in the consolidated financial statements of Saxo Bank A/S. The consolidated financial statements are available at the Company's address or at:

https://www.home.saxo/-/media/documents/annual-reports/saxo-bank-annual-report-2017.pdf

Related party transactions

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

Financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Distribution of loss

DKK 1,000	2017	2016
Proposed distribution of loss		
Retained earnings	-54,779	-58,094
Reserve for development costs	-3,837	-119
	-58,616	**-58,213**