

Geely Financials Denmark

Annual Report 2020

Geely Financials Denmark

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Company information

Geely Financials Denmark A/S

c/o Gorrissen Federspiel
Axeltorv 2
1609 København V

CVR No.: 38 97 61 76

Board of Directors

Donghui Li
Chairman

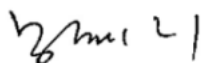
Hans Olov Sören Olsson

Yi Ian Zhang

Board of Management

Yi Ian Zhang
Managing Director

Accepted on the
General Meeting



Date

2021.04.20

Board of Directors and Board of Management

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

Board of Directors

Donghui Li - Chairman

Geely Automobile Holdings Limited (BM)
Geely Holding Group (CEO)
Genius Auto Finance Co. Limited (CM)
Volvo Car Corporation (BM)

Yi lan Zhang - Member of Board

Geely Financials International Limited (BM)
Geely International (Hong Kong) Limited (BM)
Hangzhou UGO Tech Co., Ltd (BM)

Hans Olov Sören Olsson - Member of Board

IR Lab Therapeutics AB (BM)

Board of Management

Yi lan Zhang - Managing Director

MANAGEMENT REPORT

MAIN ACTIVITY

Geely Financials Denmark A/S (the Company) is a financial holding company, which primary purpose is to invest in shares in other companies. At 31 December 2020 the investment in shares in Saxo Bank A/S (Saxo Bank) is the sole investment made by the Company.

Saxo Bank is a global, multi-asset facilitator and delivers capital markets access, products and services through multi assets platforms. Saxo Bank offers traders and investors the same tools and market access as professional traders, large institutions and fund managers. All instruments and products are traded either directly via the platforms, SaxoInvestor, SaxoTraderGO and SaxoTraderPRO, or through the partner oriented Open and FIX API integration.

As a fully licensed and regulated bank Saxo Bank is under supervision of the Danish Financial Supervisory Authority (DFSA). Saxo Bank holds banking licenses in Denmark, the Netherlands, France and Switzerland, and financial licenses in 6 other jurisdictions. With more than 40,000 instruments and over 28 languages available from one single account across multiple platforms, Saxo Bank is a truly global company with local presence, employing more than 2,200 people spanning over 65 nationalities and represented in financial centres around the world including London, Amsterdam, Singapore, Shanghai, Hong Kong, Sydney, Tokyo, Paris, Zurich, Milan (BG Saxo SIM), Dubai, and Delhi. Through local sales and service teams and a global online presence, Saxo Bank serves clients and partners in more than 180 countries.

A list of the Group's subsidiaries is disclosed in note 24 in the consolidated financial statements.

Besides the Managing Director the Company has no employees.

NET PROFIT FOR THE YEAR

The Geely Financials Denmark Group has realised a net profit of DKK 639 million (2019: DKK -271 million). The net profit for the Group comprise net profit in the Saxo Bank Group adjusted for amortisation and impairment of intangible assets recognised at the date of acquisition of the Saxo Bank Group due to fair value measurement of the acquired net assets and liabilities. The Board of Directors find the result for the year very satisfactory and in line with latest expectations for 2020.

No dividend will be paid out for 2020.

EQUITY AND REGULATORY CAPITAL

Being based in an EU member state, Geely Financials Denmark A/S and Geely Financials Denmark Group are required to fulfill the requirements set out in CRR.

Geely Financials Denmark Group's own funds is DKK 3.478 million at 31 December 2020 (2019: DKK 3.120 million) which results in a total capital ratio of 25.1% (2019: 22.0%).

Geely Financials Denmark A/S' own funds is DKK 4.168 million at 31 December 2020 (2019: DKK 3.879 million), which result in a total capital ratio of 79.8% (2019: 77.8%).

For Saxo Bank Group the Risk Report for 2020 provides information regarding Saxo Bank Group's risk profile. The report is available at www.home.saxo/about-us/caap-and-risk-reports.

UNCERTAINTY – RECOGNITION AND MEASUREMENT

In preparing the consolidated financial statements, management makes various accounting estimates and judgements that form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The estimates and judgements made are based on the accounting policies and on historical experience and other factors that management assesses to be reliable, but that by nature, are associated with uncertainty and unpredictability.

Estimates and judgements have the most impact on the consolidated financial statements in the following areas:

- Classification of financial instruments
- Fair value measurement of financial instruments
- Measurement of expected credit loss on financial assets at amortised cost
- Measurement of goodwill and other intangible assets
- Disposal of intellectual property rights

Classification of financial instruments

The Group carries out a business model and SPPI test (solely payments of principal and interests) for the classification of financial assets.

It is assessed how the financial instruments are managed, the objective of holding the instruments and the risks associated with holding financial instruments. This assessment involves a degree of judgement.

Fair value measurement of financial instruments

The majority of the valuation techniques used to fair value measurement of the financial instruments employ either quoted market prices, interbank quoted prices or valuation model substantially based on observable input and not subject to estimates. Measurement of financial assets for which no active market exists are subject to estimates.

Loan notes issued with certain conversion rights are measured at fair value based on estimates of expected future cash flow by using a discounted cash flow model which are subject to estimates. In note 26 Investments in joint ventures information on the fair value of the convertible loan notes is disclosed.

Measurement of expected credit loss on financial assets at amortised cost

The three-stage expected credit loss impairment model depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the expected credit loss is determined based on the probability that the counterpart will be in default within the next 12 months (stage 1). If the credit risk has significantly increased the expected credit loss is determined based on the probability that the counterpart will default over the lifetime of the financial asset (stage 2 and 3). Determination of the impairment for expected credit losses imply use of judgement and estimates.

Note 29 Risk management provides more details on credit exposure and expected credit losses at 31 December 2020.

Measurement of goodwill and other intangible assets

In a business combination identification and measurement of the fair value of especially intangible assets are subject to estimates and judgement. The existence of intangible assets is not evident and significant uncertainty exists on expected future cash flows, the discount rate, the expected useful life etc. for trademarks and client relationships acquired.

Goodwill is tested for impairment at least annually or if indication of impairment exists. Impairment test requires estimation of future cash flows from acquired entities and a number of factors affect the value of such cash flows, including discount rate, expected long-term growth rate, capital requirements, economic development and other variables. No impairment loss related to goodwill is recognised in 2020 (2019: DKK 0 million).

Other intangible assets are tested if indications of impairment. Impairment test requires estimation of future cash flows from the intangible assets and a number of factors affect the value of such cash flows, including discount rate, expected useful life, economic development and other variables. No impairment loss related to other intangible assets is recognised in 2020 (2019: DKK 235 million).

Note 12 Intangible assets provide information on carrying amount of intangible assets.

Disposal of intellectual property rights

In 2019 Saxo Bank A/S disposed certain intellectual property rights. In the judgement of the accounting of the disposal, it was considered, whether and when the buyer benefits from the intellectual property rights on its own independent of any other activities carried out by Saxo Bank A/S. It has been concluded that the intellectual property rights had a significant current functionality upon delivery and that the buyer benefits from that functionality upon the point-in-time where a binding contract was entered into between the parties, the intellectual property was delivered and the buyer had the right to use it. Based on this the disposal was recognised in 2019.

Geely Financials Denmark Group's credit risk and other types of risks are dependent on the activities in Saxo Bank Group. Credit risk and other types of risks for Saxo Bank Group are outlined in the section "Extract from the Saxo Bank Group's Annual Report 2020".

BOARD OF DIRECTORS AND BOARD OF MANAGEMENT – MANAGEMENT POSITIONS AND DIRECTORSHIPS

Management positions and directorships held by the Board of Directors and the Board of Management is disclosed on page 4.

SOCIAL CONTRIBUTIONS

Geely Financials Denmark A/S has no other employees than the Managing Director. The proportion of women and men in Geely Financials Denmark A/S in the Board of Directors was 0% and 100% respectively in the 2020. Geely Financials Denmark A/S plans to maintain the composition of the Board of Directors.

Saxo Bank Group's diversity policy is outlined in the section "Extract from Saxo Bank Group's Annual Report 2020".

OUTLOOK 2021

In the section "Extract from Saxo Bank Group's Annual Report 2020" the outlook for 2021 for Saxo Bank Group is outlined. The net profit for Geely Financials Denmark Group will compared to the Saxo Bank Group be impacted by amortisation of intangible assets recognised at the date of acquisition due to fair value measurement of the acquired net assets and liabilities. The impact net of tax is estimated to DKK 150 million hence the Geely Financials Denmark Group expects to end 2021 with a positive net profit, in the range DKK 350-650 million.

EVENTS AFTER THE REPORTING DATE

There has been no events that have materially affected the assessment of this Annual Report 2020 after the reporting date.

EXTRACT FROM SAXO BANK GROUP'S ANNUAL REPORT 2020

The subsequent section is outlined text from the management report in Annual Report 2020 for Saxo Bank Group. The following sections are extracts: Financial review, Business model, Risk factors and Social contribution. The Annual Report for 2020 for Saxo Bank Group is available at www.home.saxo/about-us/investor-relations.

Financial Review 2020 – Saxo Bank Group

Saxo Bank Group reported a net profit of DKK 750 million for 2020, compared to DKK 40 million for 2019. Operating income for Saxo Bank Group amounted to DKK 4.3 billion in 2020 compared to DKK 2.6 billion in 2019, an increase of 65%. BinckBank N.V. is included in the Annual Report from the time of acquisition in August 2019. The Board of Directors find the result for the year very satisfactory and in line with our latest expectations for 2020.

Saxo Bank Group's result is directly linked to the clients trading activity. Following the outbreak of COVID-19, volatility in financial markets has increased significantly leading to increased activity among the Saxo Bank Group's clients.

The Direct client base grew by more than 145,000 new active clients, bringing the Group's total to a record of more than 660,000 clients. Total client assets reached DKK 478 billion by the end of 2020, another record for the Group, up from DKK 384 billion at the end of 2019.

Staff costs and administrative expenses for Saxo Bank Group amounted to DKK 2.7 billion in 2020 and increased slightly by 5% compared to 2019. In 2020 the Group invested DKK 561 million in technology and digitisation, which is a decrease of 1% compared to investments of DKK 566 million in 2019. The cost/income ratio for Saxo Bank Group decreased to 75.0% from 96.7% in 2019.

In 2020, a warrants scheme was introduced where 2,807,765 warrants were granted to Board of Management and certain employees with a right to subscribe for shares in Saxo Bank A/S. In total DKK 4 million was recognised as staff costs and administrations expenses for the warrants scheme.

Other expenses for Saxo Bank Group were DKK 57 million, an increase of DKK 43 million compared to 2019, which primarily relates to Deposit Guarantee Schemes due to the increase in client deposits in 2020.

EBITDA reached DKK 1,612 million in 2020 compared to DKK 822 million in 2019 primarily driven by the increase in revenue.

The continued successful integration of BinckBank N.V. is a result of strong efforts and teamwork across the Saxo Bank Group. In 2020 we succeeded with onboarding of BinckBank France's clients to the Saxo Bank platform and the integration plan for the remaining former BinckBank offices is progressing according to plan.

Impairment charges for loans and receivables etc. in 2020 were DKK 24 million compared to DKK 9 million in 2019 and related to client credit losses as well as expected credit losses.

Result second half 2020

The net profit in second half of 2020 was DKK 221 million compared to DKK 529 million for first half of 2020. Second half was affected by a slightly lower operating income, which amounted to DKK 2.0 billion compared to DKK 2.3 billion in first half of 2020. The first six month of 2020 was an extraordinary period both in terms of uncertainty and volatility primarily caused by the COVID-19 outbreak. In second half of 2020 we saw normalised levels within clients' trading and inflow of clients' assets.

Statement of financial position

The cash inflow from clients' deposits are placed with counterparty banks, in bonds and other interest-bearing assets. Cash in hand and demand deposits with central banks amounted to DKK 29 billion as of 31 December 2020.

Loans and other receivables at amortised cost were DKK 4.8 billion as of 31 December 2020 compared to DKK 9.9 billion as of 31 December 2019, a decrease of 51%. Furthermore, Saxo Bank continued its balance sheet simplification and optimisation in 2020. As part of this, investment in Dutch mortgage books of DKK 5 billion have been disposed in second half of 2020, resulting in a net loss of DKK 15 million.

Other assets decreased by 65% to DKK 360 million as of 31 December 2020 compared to 1,034 million as of 31 December 2019 primarily due to repayment of loan note of EUR 75 million from the 50% owned joint venture Saxo Geely Tech Holding A/S.

Furthermore, Saxo Bank A/S has converted loan note of EUR 75 million to share capital in the joint venture Saxo Geely Tech Holding A/S which affected Investments in joint ventures.

Saxo Bank Group continuously builds its presence in the Chinese market as part of executing on its long-term mainland China strategy. In August 2020, Saxo Financial Technology Company Limited (Saxo FinTech), a 100% owned Chinese subsidiary to the joint venture was established. The Chinese subsidiary was funded with EUR 300 million in IP rights and EUR 9 million in cash from the joint venture Saxo Geely Tech Holding A/S.

The mortgage loan of DKK 252 million admitted for financing the Saxo Bank domicile property through the subsidiary Ejendomsselskabet bygning 119 A/S was repaid in September 2020 and the associated interest swap of DKK 53 million was unwinded hence the hedging reserve in equity was dissolved. The mortgage loan was refinanced by a loan from Saxo Bank A/S which principal constitutes DKK 300 million with a term period of 8 years.

Tier 1 capital of EUR 45 million and tier 2 subordinated debt of EUR 50 million were redeemed at first possible call date in February and April 2020, respectively.

Total shareholders' equity increased by 12% to DKK 6.9 billion as of 31 December 2020, compared to DKK 6.2 billion as of 31 December 2019. The Board of Directors propose a dividend of DKK 9.98 per share, in total DKK 750,802,131, to be distributed for the year 2020. Total shareholders' equity will remain at DKK 6.2 billion after distributed dividend.

The total capital ratio for the Saxo Bank Group marginally decreased to 32.6% as of December 2020 from 32.9% at the end of 2019, retaining a comfortable buffer compared to the capital requirement. After the dividend payout, the Group maintains a strong capitalisation with significant surplus levels towards the regulatory requirements.

Events after the reporting date

There have been no events that have materially affected the assessment of this Annual Report 2020 after the reporting date.

Outlook 2021 - Saxo Bank Group

Due to the nature of Saxo Bank Group's activities, the forecast of trading related income is highly dependent on the volatility of currency and stock markets as well as interest rate levels.

Following the continued COVID-19 pandemic, volatility in financial markets has increased significantly leading to increased activity among the Saxo Bank Group's clients.

At present, the uncertainty related to the consequences of the continued outbreak of COVID-19 and the impact on volatility of the financial markets for 2021 is hard to predict and highly uncertain.

We foresee operating income for 2021 around or slightly below the level of 2020.

Saxo Bank Group continues its significant investment in scalability, technology and digitisation, while at the same time pursuing a strong and sustainable cost discipline. Furthermore, we continue to invest in developing and implementing our mainland China strategy. The operating cost for 2021 is subject to the successful execution of the integration plans for BinckBank N.V.

With that in mind and based on the result for 2020, Saxo Bank Group expects to end 2021 with a net profit in the range of DKK 500-800 million.

Business model - Saxo Bank Group

Saxo Bank is a global, multi-asset facilitator. We deliver capital markets access, products and services through our multi asset platforms to Traders, Investors and SAS (wholesale). Based on our open business model, we unbundle the value chain, source from the best in the market, process through one technology stack, and deliver to clients through our platforms – all tied together by the SaxoExperience.

Risk Factors - Saxo Bank Group

Saxo Bank Group is exposed to various risks that are actively monitored as applicable based on the underlying exposure. The Group strives to manage and mitigate those risks that it has influence upon to ensure that risks are within Saxo Bank Group's risk appetite. In addition, the Group may be subject to external events beyond its control, e.g. acts of terror, political intervention, changes in technology or other rare and unpredictable exogenous events. The Saxo Bank Group strives to be observant and responsive to changes in the external environment.

Risk factors, which may adversely affect the Saxo Bank Group's future growth, activities, financial position and results, are described below. However, this may not be an exhaustive description. Further information on the risk management framework can be found in the Risk Report 2020 at www.home.saxo/aboutus/icaap-and-risk-reports.

Credit Risk

Clients' margin trading exposures may lead to uncollateralised exposures in the event of an unexpected large price gap in one or several markets. In these instances, the collateral posted by clients may not fully offset sustained trading deficits, which may lead to losses if Saxo Bank Group is unable to collect the amounts due. To limit these risks the Group has several mitigants in place, e.g. a real-time monitoring system which can intervene and liquidate positions in case of an adverse market movement. Credit risk also occurs against Saxo Bank Group's brokers or market liquidity providers. These brokers are in general, major international banks. In addition, the Group is also exposed to Credit Risk when placing its surplus liquidity with other major banks or in investment grade bonds.

Market Risk

The Saxo Bank Group is a market facilitator and has no significant proprietary position taking. Saxo Bank Group's clientbased trading flow is executed and hedged automatically in order to minimise the intermediate market risk. However, some limited and mostly temporary risk can arise from client trading related to optimisation of the Group's hedging of these trades.

The Saxo Bank Group encounters market risk from the investment of client funds deposited in Saxo Bank. The deposited funds are primarily invested conservatively in central banks, short-term government or prime rated covered bonds.

Market risk exposures are monitored closely on an intraday basis.

Operational Risk

Operational risk is characterised as the risk of loss due to inappropriate or inadequate or failed internal processes, people, system errors, or because of external events. A sound operational risk governance and framework are key in enabling the Saxo Bank Group to pursue its strategic goals, safeguard its interests, and protect its license to operate.

Business and IT infrastructure disruption

Saxo Bank Group is highly dependent on the continuous operation of its IT infrastructure. Therefore, system failures could impact the Group's services to its clients or critical internal business processes. Consequently, a system outage may have a financial and reputational impact on Saxo Bank Group.

In order to control and minimise this risk Saxo Bank Group has redundant data centers, business continuity plans and insurance programs in place that are regularly reviewed, challenged and tested to ensure continuing effectiveness and relevance.

Compliance risk

As Saxo Bank Group is operating under regulated licenses an exposure to compliance risk is present. In order to minimise this risk Saxo Bank Group promotes a strong compliance culture, where compliance risk is identified and continuously monitored.

Cyber security risk

Cyber-attacks on financial institutions are increasingly becoming more sophisticated and targeted than ever before. These emerging threats could harm Saxo Bank Group and its clients, which might affect the Group financially or harm its reputation.

The Saxo Bank Group is taking several steps to protect its infrastructure both with policies and procedures as well as mitigation using technical controls for these emerging threats. The Group furthermore monitors the evolution of cyber-attacks, ensuring that effective and adaptive defenses are always in place.

Third party service providers

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

Risks stemming from critical outsourcing arrangements are identified, assessed and monitored regularly to ensure that the risk exposure is within Saxo Bank Group's tolerance limits.

Liquidity and funding risk

Saxo Bank Group encounters liquidity risk mainly when facilitating clients' trading activities. Liquidity Risk is the risk of the Group not being able to fulfil its payment obligation as they fall due, the risk of the cost of funding rising to disproportionate levels or the risk that the Saxo Bank Group does not comply with regulatory liquidity requirements.

Liquidity management in Saxo Bank Group covers short-term including intraday liquidity management as well as long-term funding management. In order to mitigate liquidity risk, the Group monitors its liquidity position closely according to the defined Risk Appetite minimum levels of required liquidity. Saxo Bank Group furthermore has a very strong liquidity and funding position.

Social Contribution - Saxo Bank Group

Human rights and Diversity

Saxo Bank has a key focus on securing the best talent regardless of age, gender, religion, ethnicity or nationality. Throughout the organisation, Saxo Bank encourages and aims for diversity in all its dimensions in the hiring process, graduate programmes and other internal operations. Saxo Bank employs 65 different nationalities as it recognises that employee diversity brings important business benefits such as adding different perspectives and ideas into business decisions, enhancing innovation and strengthening internal collaboration.

Saxo Bank considers its primary risk in relation to human rights being discrimination. Saxo Bank complies with collective agreements and human rights across its offices and is committed to achieving a work environment founded on equality and diversity. Saxo Bank has a zero-tolerance policy to any form of discrimination of its employees or anyone involved in the Bank's activities. Discrimination includes unequal treatment on the basis of race, gender, age, disability, sexual orientation, religion, ethnicity, or simply compromising the principle of equality. Managing risk in this regard is crucial to attracting talent across all geographies and to safeguard the brand and reputation of the Bank.

Saxo Bank has a goal of increasing the number of women at all leadership levels in the Bank and has implemented a gender diversity policy and set targets for the gender diversity in the Board of Directors.

In 2019 Saxo Bank set a target to have 20% women in the Board of Directors by 2021. As of 31 December 2020, the share of women in the Board of Directors was 0% and does not meet the target. For general leadership positions within Saxo Bank, the proportion of women was 19.3% in 2020. Saxo Bank's target for women in senior leadership positions remains at 30% while the level at the end of 2020 was 9.0% (Senior Management Team) or 13.8% (Director level and above).

The Board of Directors acknowledges that more needs to be done to ensure gender diversity in the Board of Directors and is committed to improving the gender composition. Therefore, the Board of Directors has set a new and more ambitious target effective as of 2021 to have at least 30% women on the Board of Directors by 2024. Read more about the Board composition in Corporate Governance section.

In order to actively promote diversity at all levels of the organisation, the Diversity at Saxo Bank initiative was launched globally in December 2020. Diversity at Saxo Bank is dedicated to support a diverse workplace, networking and progression opportunities, facilitate knowledge sharing, and to ensure that Saxo Bank is seen as an attractive company to investors of all genders, looking to invest to make an impact.

There are three Working Groups that jointly promote equality and break down barriers for clients and employees at Saxo Bank.

- For Saxo Career, the objective is to identify and remove gender bias internally, across hiring, promotion, leadership, and overall corporate culture.
- For Saxo WIN, the objective is to enable more women to fulfill their financial aspirations.
- For Saxo Community, the objective is to build communities and facilitate knowledge sharing amongst Saxonians, men and women alike.

Employee engagement

Employee engagement is a constant focus for the leadership of Saxo Bank as it is critical for the well-being of all Saxonians, how Saxo Bank delivers on its strategy and further develop the clients and the business. Saxo Bank has a comprehensive policy on employee matters that is built on fairness, transparency and well-being of the employee.

At Saxo Bank we focus on win-win and the impact of our efforts and we set high expectations for ourselves and each other. Saxo Bank believes in providing an energising and inspiring working environment in our offices around the world. The development, motivation and well-being of our employees is crucial for Saxo Bank and we strive at providing surroundings and benefits catering for that.

The annual Employee Engagement Survey (EES) is the occasion where Saxo Bank systematically collects data from the organisation on how we perform on Employee Engagement, Leadership in the company, Organisational capabilities, Goals and Strategy.

The Survey is used by the Executive Team, leaders, employees and Group HR to identify our strengths as a company but also areas of improvement and development, thereby enabling us to act, change and create a better working environment to become an even higher performing and stronger organisation.

The 2020 EES has seen a high rate of participation at 92%. Overall, the feedback from employees has shown that while overall engagement has been high, more can be done in the tracks of familiarity with the Group's strategy. A number of specific initiatives are being cascaded throughout the organisation to both protect what is already working and to further improve on specific areas highlighted in the EES.

Firstly, to create more engagement and enhance the cross functional collaboration culture in Saxo Bank, Engagement Teams consisting of Saxo Bank employees across functions and geographies has been created. The Teams were tasked to come up with an idea to increase engagement in the organisation as well as benefit the performance of Saxo Bank linking in to the most relevant focus areas based on this year's survey results.

Secondly, local engagement in the Amsterdam office through workshops and local teams has been initiated.

Thirdly, the functional organisations have been working with the EES results through team workshops facilitated by the individual leader.

Finally, to ensure that the familiarity with Saxo Bank's strategy is increased, the management has been conducting townhalls, workshops and meetings to support the understanding and embedding of the strategy of Saxo Bank amongst employees.

Anti-Money Laundering

Being a facilitator of access to global capital markets for traders, investors and partners worldwide, Saxo Bank is exposed to the risk of being used as a conduit for money laundering, terrorist financing and transactions imposed with sanctions. Failure to manage such risks could lead to legal prosecutions and fines which as a result may have a negative impact on our reputation. To address and mitigate these risks, the Board of Directors has adopted group-wide policies, including risk appetite statements which outline clear limits for operations such as client and transaction acceptance. These policies are available to all employees and integrated in relevant written procedures and processes. The policy framework is promoted via managers as mandatory reading as through annual mandatory training sessions.

Anti-Bribery and Corruption

In order to demonstrate its commitment towards promoting integrity and trust within the financial industry, Saxo Bank has taken a wide range of initiatives to increase transparency and to increase confidence from clients so that they can make the best choice when choosing a facilitator. As one of the first banks, Saxo Bank has signed up to the FX Global Code of Conduct, which is aimed at improving industry standards and promoting best practice among FX market participants.

In addition, this year we have appointed an Anti-Bribery and Corruption Officer who is tasked with assessing compliance with the policy and to whom suspicions of bribery or corruption within the Group can be reported. Another result in 2020 was the rolled out a new e-learning course on the subject to all employees, which 93.6% of all internal staff completed in 2020.

Climate and Environment

On a corporate level, Saxo Bank is also committed to reducing its impact on the environment. As a digital-first business, our carbon footprint remains relatively low. We also leverage technology to cool our building and servers with sea water. Since 2019, we have done away with the use of plastic bottles, cups, cutlery etc. and have replaced these with glass bottles and pottery instead. Furthermore, we have instilled a number of initiatives in the canteens of in our major locations, aiming at significantly reducing food waste and carbon footprint. These initiatives are driven in cooperation with suppliers and partners.

Tax and Other duties

Saxo Bank appreciates that taxes and other duties constitute an important part of our social contribution in the countries in which we do business. Corporate tax is only a limited part of the total tax contribution. A large part is made up of direct and indirect taxes, such as real estate tax, payroll tax, nonrecoverable VAT and social contribution from employees. In addition to its total tax contribution, Saxo Bank contributed indirectly through purchases of services, goods etc. from vendors, which again contributes through its employees, purchases and direct and indirect taxes etc.

Saxo Bank does business responsibly, meeting the expectations for a good corporate citizen. This means paying taxes on profits according to where the value is created and in accordance with local tax legislation. It also means having a balanced tax risk profile and not engaging in any tax-avoidance activities.

Saxo Bank is subject to Danish CFC taxation. This means that positive income in subsidiaries engaged in financial activities is included in the taxable income of Saxo Bank in Denmark.

The income of the subsidiary is subject to Danish corporate tax with a tax credit granted for foreign tax paid by the subsidiary. The Danish CFC tax regime also removes the incentive for tax planning.

Total tax contribution made by Saxo Bank Group:

(DKK million)	Denmark			Other countries			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Corporate taxes incl. CFC taxes	71	6	-	255	69	50	325	75	50
Payroll taxes	285	292	288	179	105	65	464	397	352
Social taxes	2	1	1	70	73	57	72	74	59
Financial Services Employer taxes	111	111	107	-	0	-	111	111	107
Property taxes	4	4	4	3	2	2	7	6	6
Value added taxes	112	116	118	73	35	11	185	151	129
Taxes on dividends	-	-	-	-	-	1	-	-	1
Other taxes	-	0	3	21	21	16	21	21	19
Total taxes	585	530	521	601	306	202	1,186	836	723

GROUP FINANCIAL STATEMENTS

INCOME STATEMENT – GEELY FINANCIALS DENMARK GROUP
1 JANUARY 2020 - 31 DECEMBER 2020

Note	(1,000 DKK)	2020	2019
2	Interest income	1,401,612	1,543,296
3	Interest expense	(317,091)	(307,043)
	Net interest income	1,084,521	1,236,253
4	Fees and commission income	3,470,155	1,738,290
	Fees and commission expense	(1,493,979)	(1,002,193)
	Net interest, fees and commissions	3,060,696	1,972,350
5	Price and exchange rate adjustments	1,306,910	637,135
	Operating income	4,367,606	2,609,485
6	Other income	8,480	556,602
7, 8	Staff costs and administrative expenses	(2,708,365)	(2,582,691)
	Depreciation, amortisation and impairment of intangible and tangible assets	(641,272)	(876,409)
	Other expenses	(57,398)	(14,085)
29	Impairment charges loans and receivables	(24,430)	(9,397)
	Result from joint ventures	(7,084)	(50)
	Profit before tax	937,536	(316,544)
9	Tax	(298,989)	45,930
	Net profit	638,547	(270,615)
	Net profit attributable to:		
	Shareholders of Geely Financials Denmark A/S	302,413	(160,371)
	Additional tier 1 capital holders	42,991	36,236
	Non-controlling interests	293,144	(146,479)
	Net profit	638,547	(270,615)

STATEMENT OF COMPREHENSIVE INCOME – GEELY FINANCIALS DENMARK GROUP
1 JANUARY 2020 - 31 DECEMBER 2020

Note (1,000 DKK)	2020	2019
Net profit	638,547	(270,615)
Other comprehensive income		
Items that will not be reclassified subsequently to income statement:		
Remeasurement of defined benefit plans	4,014	(1,309)
Tax	(849)	277
Items that will not be reclassified subsequently to income statement	3,165	(1,032)
Items that are or may be reclassified subsequently to income statement:		
Exchange rate adjustments	(112,397)	59,883
Hedge of net investments in foreign entities	108,442	(57,590)
Fair value adjustment of cash flow hedges	2,206	2,854
Reclassification to income statement (cash flow hedge)	(9,394)	-
Other comprehensive income from joint ventures, net of tax	1,658	-
Tax	(22,091)	11,927
Items that are or may be reclassified subsequently to income statement	(31,577)	17,074
Total other comprehensive income	(28,412)	16,042
Total comprehensive income	610,135	(254,573)
Total comprehensive income attributable to:		
Shareholders of Geely Financials Denmark A/S	287,954	(152,215)
Additional tier 1 capital holders	42,991	36,236
Non-controlling interests	279,191	(138,593)
Total comprehensive income	610,135	(254,573)

STATEMENT OF FINANCIAL POSITION – GEELY FINANCIALS DENMARK GROUP
AT 31 DECEMBER

Note	(1,000 DKK)	2020	2019
ASSETS			
	Cash in hand and demand deposits with central banks	29,052,132	24,276,476
10	Receivables from credit institutions and central banks	5,935,243	6,481,525
11, 29	Loans and other receivables at amortised cost	4,811,365	9,883,253
	Bonds at fair value	25,069,724	20,802,540
	Bonds at amortised cost	3,398,964	3,349,675
	Equities etc.	5,959	130,054
26	Investment in joint ventures	379,521	300,231
12	Intangible assets	7,067,900	7,020,844
13	Tangible assets	1,324,543	1,412,106
	Tax receivables	108,738	159,350
9	Deferred tax assets	33,487	38,006
14	Other assets	5,701,123	5,310,425
	Prepayments	210,421	274,567
	Total assets	83,099,122	79,439,051
LIABILITIES			
15	Debt to credit institutions and central banks	4,393,166	3,563,948
16	Deposits	60,196,661	59,311,073
	Tax liabilities	69,523	31,063
17	Other liabilities	5,659,422	3,671,177
	Total debt	70,318,772	66,577,260
	Pension and similar provisions	38,513	40,484
9	Deferred tax liabilities	1,092,702	1,017,352
	Provision for guarantees	22,470	19,970
	Other provisions	341,690	302,407
	Total provisions	1,495,374	1,380,212
18	Subordinated debt	776,434	1,139,555
19	EQUITY		
	Share capital	10,000	10,000
	Translation reserve	(4,282)	9,873
	Hedging reserve	-	2,759
	Retained earnings	5,641,127	5,335,563
	Shareholders of Geely Financials Denmark A/S	5,646,845	5,358,194
	Additional tier 1 capital	451,967	797,763
	Non-controlling interests	4,409,729	4,186,066
	Total equity	10,508,541	10,342,023
	Total liabilities and equity	83,099,122	79,439,051

STATEMENT OF CHANGES IN EQUITY – GEELY FINANCIALS DENMARK GROUP
AT 31 DECEMBER

(1,000 DKK)

	Shareholders of Geely Financials Denmark A/S					Additional tier 1 capital	Non-controlling interests	Total
	Share Capital	Translation reserve	Hedging reserve	Retained earnings	Total			
Equity at 1 January 2020	10,000	9,873	2,759	5,335,563	5,358,194	797,763	4,186,066	10,342,023
Net profit	-	-	-	302,413	302,413	42,991	293,144	638,547
Other comprehensive income								
Exchange rate adjustments	-	(57,199)	-	-	(57,199)	-	(55,198)	(112,397)
Hedge of net investments in foreign entities	-	55,186	-	-	55,186	-	53,256	108,442
Fair value adjustment of cash flow hedges	-	-	1,123	-	1,123	-	1,083	2,206
Reclassification to income statement (cash flow hedge)	-	-	(4,781)	-	(4,781)	-	(4,614)	(9,394)
Remeasurement of defined benefits plans	-	-	-	2,043	2,043	-	1,972	4,014
Other comprehensive income from joint ventures, net of tax	-	-	-	844	844	-	814	1,658
Tax on other comprehensive income	-	(12,142)	900	(432)	(11,674)	-	(11,265)	(22,939)
Total other comprehensive income	-	(14,155)	(2,759)	2,455	(14,459)	-	(13,953)	(28,412)
Total comprehensive income	-	(14,155)	(2,759)	304,868	287,954	42,991	279,191	610,135
Transactions with owners								
Additional tier 1 interest payment	-	-	-	-	-	(52,701)	-	(52,701)
Redemption of additional tier 1 capital, net of transaction costs	-	-	-	(591)	(591)	(336,086)	(570)	(337,245)
Share-based payments	-	-	-	2,122	2,122	-	2,048	4,170
Treasury shares	-	-	-	3,301	3,301	-	3,185	6,486
Acquisition of non-controlling interest	-	-	-	(4,136)	(4,136)	-	(60,191)	(64,327)
Equity at 31 December 2020	10,000	(4,282)	-	5,641,127	5,646,845	451,967	4,409,729	10,508,541
Equity at 1 January 2019	10,000	2,180	1,739	5,514,773	5,528,692	345,991	3,698,930	9,573,613
Net profit	-	-	-	(160,371)	(160,371)	36,236	(146,479)	(270,615)
Other comprehensive income								
Exchange rate adjustments	-	30,776	-	-	30,776	-	29,107	59,883
Hedge of net investments in foreign entities	-	(29,594)	-	-	(29,594)	-	(27,996)	(57,590)
Fair value adjustment of cash flow hedges	-	-	1,383	-	1,383	-	1,471	2,854
Remeasurement of defined benefits plans	-	-	-	(705)	(705)	-	(603)	(1,309)
Tax	-	6,511	(364)	149	6,296	-	5,908	12,204
Total other comprehensive income	-	7,693	1,020	(556)	8,156	-	7,886	16,042
Total comprehensive income	-	7,693	1,020	(160,927)	(152,215)	36,236	(138,593)	(254,573)
Transactions with owners								
Additional tier 1 interest payment	-	-	-	-	-	(32,734)	-	(32,734)
Issuance of additional tier 1 capital, net of transaction costs	-	-	-	(3,525)	(3,525)	448,270	(3,402)	441,343
Share-based payments	-	-	-	(12,188)	(12,188)	-	(11,410)	(23,598)
Treasury shares	-	-	-	1,692	1,692	-	1,633	3,325
Transactions with non-controlling interests	-	-	-	(4,262)	(4,262)	-	584,750	580,488
Acquisition of non-controlling interest	-	-	-	-	-	-	54,157	54,157
Equity at 31 December 2019	10,000	9,873	2,759	5,335,563	5,358,194	797,763	4,186,066	10,342,023

STATEMENT OF TOTAL CAPITAL – GEELY FINANCIALS DENMARK GROUP
AT 31 DECEMBER

(1,000 DKK)	2020	2019
Tier 1 capital		
Total equity 31 December excl. non-controlling interests and net profit	3,152,176	3,175,185
Minority interest given recognition in CET1 capital	1,900,321	2,149,646
Net profit excl. non-controlling interests	382,083	-
Hedging reserve	-	35,774
Intangible assets	(2,445,336)	(2,613,478)
Deferred tax liabilities, intangible assets	234,831	205,807
Deferred tax assets	(14,709)	(219,969)
Prudent valuation adjustments	(34,907)	(27,732)
Common equity tier 1 capital (net after deduction)	3,174,459	2,705,233
Additional tier 1 capital	303,523	414,817
Total tier 1 capital	3,477,981	3,120,050
Tier 2 capital		
Subordinated debt	461,419	574,780
Total tier 2 capital	461,419	574,780
Total capital	3,939,400	3,694,830
Risk exposure amounts		
Credit risk	4,841,840	6,522,305
Market risk	3,776,364	3,715,321
Operational risk	7,083,921	6,585,623
Total risk exposure amounts	15,702,125	16,823,249
Common equity tier 1 ratio	20.2%	16.1%
Tier 1 capital ratio	22.1%	18.5%
Total capital ratio	25.1%	22.0%

Total capital is calculated in accordance with CRR. A change in calculation method has been applied from 2020, see note 1 section "change in comparative figures" for further information.

Calculation of total capital is based on Saxo Bank Group. Total equity is Geely Financials Denmark A/S' ownership (50.89%) of Shareholders equity of Saxo Bank A/S.

Note

1 Accounting policies

The consolidated financial statements have been prepared in accordance with the Danish Financial Business Act and the Danish executive order on the executive order on financial reports for credit institutions and investments companies etc.

On 6th April 2021, the Board of Directors and Board of Management approve the Annual Report for the financial year 2020 for Geely Financials Denmark A/S for issue. The Annual Report will be submitted for approval by the shareholders of Geely Financials Denmark A/S at the Annual General Meeting on 6th April 2021.

The accounting policies are unchanged compared to those applied in the Annual Report for 2019.

Change in comparative figures

Comparative figures for 2019 for calculation of Total capital have been changed to be based on Saxo Bank Group (previously based on Geely Financials Denmark Group) as the calculation of the minority deduction in accordance with relevant sections of the capital requirement regulation 575/2013, has been amended compared to year-end 2019 and going forward to reflect an interpretation obtained from the Danish Financial Supervisory Authority hereon. Total capital have been changed to 3.120 million DKK from 3,305 million DKK, which affects Common equity tier 1 ratio to 16.1% from 13.8%, Tier 1 capital ratio to 18.5% from 16.2% and Total capital ratio to 22.0% from 19.6%.

Certain other minor changes have been made to the comparative figures for 2019 due to reclassifications.

Basis of preparation

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency of Geely Financials Denmark A/S. All amounts have been rounded to nearest DKK thousand, unless otherwise stated. As a result, rounding discrepancies may occur because totals have been rounded off and the underlying decimals are not presented to financial statement users.

The consolidated financial statements of Geely Financials Denmark A/S for the year ended 31 December 2020 comprise Geely Financials Denmark A/S and its subsidiaries (together referred to as "the Group").

The consolidated financial statements have been prepared on the historical cost basis, except for the following assets and liabilities, which are measured at fair value: trading portfolio assets, equity instruments and derivatives and financial liabilities designated at fair value through profit and loss.

For the purpose of clarity, the financial statements and the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the financial statements. Similarly, information not considered material is not presented in the notes.

Basis of consolidation

The consolidated financial statements comprise Geely Financials Denmark A/S and subsidiaries controlled by Geely Financials Denmark A/S. Control is achieved when Geely Financials Denmark A/S is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When determining whether Geely Financials Denmark A/S has control, de facto control and potential voting rights, which at the reporting date are substantive, are considered. For a right to be substantive, Geely Financials Denmark A/S must have the practical ability to exercise that right.

In case of loss of control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity. Any gain or loss is recognised in Other income and Other expenses. Any investment retained is recognised at fair value on initial recognition. Subsequently it is accounted for as an associate, joint venture or investment security depending on the level of influence retained.

Information on Group entities is disclosed in note 24.

The consolidated financial statements have been prepared as a consolidation of the financial statements of Geely Financials Denmark A/S and subsidiaries prepared according to the Group's accounting policy. On consolidation, intra-group income and expenses, shareholdings, intra-group balances, and realised and unrealised gains and losses on intra-group transactions are eliminated.

The non-controlling interest's share of the net profit/loss for the year and of the equity of subsidiaries, which are not wholly owned, are included in the Group's net profit/loss and equity, respectively, but is disclosed separately.

Note

1 Accounting policies - continued**Business combinations**

Acquired businesses are recognised in the consolidated financial statements from the date of acquisition. The date of acquisition is the date when the Group obtains control of the acquired entity. Businesses which are divested are recognised in the consolidated financial statements until the date of control ceases.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. The identifiable assets, liabilities and contingent liabilities of acquired businesses are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if separable or if they arise from contractual or other legal rights. Deferred tax, if any, related to fair value adjustments is recognised.

Any unallocated purchase price (positive amount) is recognised as goodwill and allocated to the Group's cash generating units. The identifiable assets, liabilities and contingent liabilities on initial recognition at the acquisition date are subsequently adjusted up until 12 months after the acquisition, and the comparative figures are restated accordingly, if the amount is material. Thereafter no adjustments are made to goodwill, and changes in estimates of contingent consideration are recognised in Other income or Other expenses.

Goodwill and fair value adjustments in connection with the acquisition of an entity are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

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

For each business combination, it is elected whether to measure the non-controlling interests at fair value or at the proportionate share of the identifiable net assets.

Acquisition-related costs are expensed when incurred.

Non-controlling interests

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

Divestments

Gains or losses on the divestment or liquidation of subsidiaries are measured as the difference between the consideration received and the carrying amount of net assets (including goodwill) at the date of disposal or liquidation, foreign exchange adjustments recognised in Translation reserve in equity, and costs to sell or liquidation expenses. Any gain or loss is recognised in Other income or Other expenses.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to offset in the event of default. Such agreements reduce the exposure further in the event of default, but do not qualify for offsetting.

Foreign currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency of the respective Group entities are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as foreign exchange rate adjustments.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date/or payment date and at the date the transaction arose or the exchange rate in the latest consolidated financial statements is recognised in the income statement as foreign exchange rate adjustments.

On recognition of the Group entities with a functional currency other than the presentation currency (DKK), the income statements are translated at the exchange rates at the transaction date, and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date.

Foreign exchange adjustments arising on translation of the opening balance of equity (including goodwill), and of the income statement on the reporting date, are recognised in Other comprehensive income and presented in the Translation reserve in equity. Foreign exchange adjustments arising on the translation of the proportionate share of joint ventures are likewise recognised in Other comprehensive income and presented in the Translation reserve in equity. Foreign exchange adjustment arising on translation of loans to foreign entities that are considered part of the investment in the entity is recognised in Other comprehensive income and presented in the Translation reserve in equity.

On complete or partial disposal of a foreign entity the share of the cumulative amount of the exchange rate adjustments recognised in the Translation reserve within equity relating to that foreign entity is reclassified and recognised in the income statement when the gain or loss on disposal is recognised.

Hedge accounting**Net investment hedge**

Changes in the fair value of a derivative or a non-derivative financial liability designated as the hedging instrument, when hedging a net investment in a foreign entity, are recognised in Other comprehensive income and presented in the Translation reserve in equity. Changes in fair value relating to the ineffective portion is recognised immediately in the income statement. On complete or partial disposal of a foreign entity gains and losses accumulated in the Translation reserve in equity are reclassified and recognised in the income statement when the gain or loss on disposal is recognised.

Fair value hedge

Changes in the fair value of derivatives designated as the hedging instrument in a fair value hedge are recognised in the income statement, together with changes in the fair value of the hedged asset or liability. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is applied, is amortised to the income statement over the period to maturity.

Cash flow hedge

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

If the hedge is discontinued, and the hedged future cash flow are no longer expected to occur, the amount recognised in the hedging reserve is reclassified to the income statement.

Securities lending transactions

Clients' securities lending, through the Group, to a third party who is borrowing the clients securities is usually collateralised by securities. Neither the securities lent out, the receivable from third party or payable to clients are recognised in statement of financial position. The ownership and control of the securities remain with the client and the Group acts as an intermediary between the client and the third party. The collateral received or pledged is not recognised respectively derecognised on the statement of financial position.

Interest received or paid are recognised on an effective interest basis and recorded as Interest income or Interest expense.

Note

1 Accounting policies - continued

INCOME STATEMENT

Interest, fees and commissions

Interest income and expenses are recognised in the period the interest is attributable to. Interest income and expense is recognised in the income statement, using the effective interest method for financial assets and financial liabilities measured at amortised cost. The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Net premiums on forward transactions related to foreign exchange and securities are recognised as Interest income or Interest expense.

Negative interest received on financial liabilities is recognised as part of interest income. Negative interest paid on financial assets is recognised as part of interest expense.

Received and paid fees and commissions result from trading with securities, derivative financial instruments and from assets under management. Fees and commissions are recognised when services are delivered or received.

Price and exchange rate adjustments

Price and exchange rate adjustments comprise gains and losses related to financial asset and liabilities at fair value, including realised and unrealised fair value adjustments and foreign exchange rate adjustments. The ineffective portion of the hedge accounting relation is recognised in Price and exchange rate adjustments.

Operating income

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

Other income

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

Staff costs and administrative expenses

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

Government grants received as salary compensation are recognised as a deduction in staff costs.

Share-based payments

Warrants have been granted in the subsidiary Saxo Bank A/S. The warrants are measured at fair value at the grant date and recognised as an expense in Staff costs and administrative expenses over the vesting period. Expenses are set off against shareholders' equity.

The fair value of the warrants is measured using the Black-Scholes valuation model. The model considers the terms and conditions under which the warrants are granted. Subsequent fair value adjustments are not recognised in the income statement.

Other expenses

The Group participates in the Danish Deposit Guarantee Fund, Danish Resolution Fund and Guarantee Schemes in other jurisdictions. Guarantee commission and provision to cover possible losses under the schemes are recognised in Other expenses.

Loss on step acquisitions, loss from divestments, adjustments to contingent considerations etc. is recognised in Other expenses.

Impairment charges loans and receivables etc.

Impairment charges include losses and impairment for expected credit loss on receivables from credit institutions, loans, other receivables, guarantees and bonds at amortised cost.

Income taxes

Income tax comprises current tax and changes in deferred tax, including changes due to change in tax rate, and is recognised in income statement, other comprehensive income or equity.

STATEMENT OF FINANCIAL POSITION

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date.

Financial assets and liabilities traded in active markets for identical assets or liabilities are measured at fair value based on quoted market prices. Listed bonds and listed securities are measured based on quoted prices.

If quoted prices are not available, fair value is established using interbank quoted prices or valuation techniques. Interbank quoted prices are generally provided by several other major financial institutions. Valuation techniques used are different standard option pricing models. In most cases the valuation is substantially based on observable input, such as interbank quoted prices and implied volatility.

The fair value assessment of covered bonds, where quoted prices are not deemed an accurate market-based measurement, are based on a quote from the primary market maker and broker.

Exchange traded products e.g. structured products, stocks, EFTs, futures, bonds are valued using interbank quoted prices.

For OTC derivatives e.g. CFDs and FX instruments quoted prices are not available, however the most significant input in the valuation is the quoted price for the underlying asset.

CFDs on Futures, CFD on Indices, FX Forwards and FX Options are measured based on industry standard valuation models.

Amortised cost measurement

The amortised cost is the amount at which the financial assets or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowance.

The carrying amount for financial assets and liabilities measured at amortised cost is a reasonable approximation of the fair value. For this reason the disclosure in the notes of the fair value for these assets and liabilities is omitted except from bonds at amortised cost.

Note

1 Accounting policies - continued

Financial instruments

Financial assets are classified into the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Financial assets and liabilities are at initial recognition measured at fair value. The costs directly related to financial assets or liability classified as financial assets or liabilities measured at FVPL are recognised directly in the income statement. For financial assets and liabilities not measured at FVPL transactions cost that are directly attributable to the acquisition or issue of the financial asset or liability shall be included in the initial fair value.

Classification and subsequent measurement depend the Group's business model for managing the financial asset and the contractual cash flow characteristics of the asset.

Based on these factors, the Group classifies its financial assets into one of the two following measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interests ("SPPI"), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is recognised in Interest income using the effective interest rate method.

Fair value through profit and loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit and loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit and loss and not part of a hedging relationship is recognised in the income statement in Price and exchange rate adjustments.

Financial liabilities are subsequently measured at amortised cost, except from derivative financial liabilities and financial liabilities designated at fair value through profit and loss.

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

Financial assets and financial liabilities at fair value

Financial assets at fair value comprise trading portfolio bonds, listed securities, turbos, derivative financial instruments with positive fair value and unsettled spot transactions.

The Group manages performance of the trading portfolio bonds with the objective of realising cash flows through the sale of the assets and the portfolio is managed and evaluated on a fair value basis. The trading portfolio does not meet the criteria for amortised cost or FVOCI and are recognised and measured at FVPL.

Financial liabilities at fair value comprise of derivatives financial instruments with negative fair value, unsettled spot transactions and financial liabilities designated at FVPL.

Financial liabilities may be designated at fair value through profit and loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them with different principles.

Financial assets measured at amortised cost

Receivables from credit institutions and central banks, part of the bond portfolio and loans and other receivables are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interests ("SPPI"), and are measured at amortised cost less expected credit loss.

Impairment on financial assets measured at amortised cost

For financial assets recognised at amortised cost, expected credit losses are recognised in the income statement and set off against the asset in the statement of financial position. However, on loan commitments and financial guarantee contracts expected credit losses are recognised as a liability.

The impairment for expected credit loss follows a three-stage model:

Stage 1: If the credit risk has not increased significantly since initial recognition, the impairment equals an amount equal to 12 month expected credit losses.

Stage 2: If the credit risk has increased significantly since initial recognition, the financial assets are transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised.

Stage 3: If a financial asset is in default or otherwise credit-impaired, it is transferred to stage 3, which is the same as stage 2, except that interest income is recognised on the net carrying amount.

Financial assets at amortised cost are written off when there is no reasonable expectation of full or partial repayment. Writing off a receivable is, in principle, equal to its derecognition. Any cash flows received on written-off assets, where relevant, are recognised in the income statement.

Amounts due to credit institutions and central banks and deposits

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

Margin trading clients may place deposits which due to local requirements are deposited and segregated with external credit institutions acting as trustees. These deposits are not a present obligations for the Group and not recognised in the consolidated statement of financial position.

Investments in joint ventures

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

Investments in joint ventures are measured in accordance with the equity method, which entails that the investments are measured at the Group's proportionate share of the net asset value of the joint ventures at the reporting date. Profit and loss from the investments in joint ventures represents the Group's share of the profit and loss after tax. The financials statements of the joint ventures are prepared according to the Group's accounting policies.

Unrealised gains on transactions with joint ventures are eliminated in proportion to the Group's ownership share of the entities.

Long-term convertible loan notes (receivable) from joint ventures are measured at fair value at the reporting date and as it forms part of the net investment in the joint venture, it is presented in the statement of financial position as part of Investment in joint ventures.

Note

1 Accounting policies - continued

Intangible assets

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised.

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Subsequently, acquired trademarks with indefinite useful life are measured at cost less accumulated impairment losses. Trademarks related to the acquisition of Saxo Bank A/S are assessed to have indefinite useful life. Trademarks with finite useful lives are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life, which is 1-2 years for the trademarks related to the acquisition of BinckBank N.V.

Client relationships acquired in a business combination are recognised at fair value at the acquisition date and subsequently at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the acquired portfolio, which is 5-15 years.

Technology (Trading Platforms) acquired in a business combination are measured at fair value at the date of acquisition. Trading platforms are amortised on a straight-line basis over the estimated useful life of 15 years.

Software developed by the Group is recognised as an asset, if the cost of development is reliably measurable and an analysis shows that future economic benefits from using the software exceed the cost. Cost is defined as development costs incurred to make the software ready for use. Once a software has been developed and ready for use, the cost is amortised on a straight-line basis over the estimated useful life of the assets, which are 3-5 years. The cost of development consists primarily of direct salaries and other directly attributable development costs. Expenses incurred in the planning phase are expensed when incurred.

Software purchased is measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the assets, which are 3-5 years.

Amortisation methods and useful life are reassessed at each reporting date and adjusted prospectively, if appropriate.

Impairment test

Goodwill is tested for impairment at least annually. Other intangible assets are tested for impairment if indications of impairment exist. Intangible assets are written down to the recoverable amount, if the carrying amount exceeds the higher of the fair value less cost to sell and the value in use.

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

Tangible assets

Domicile properties are properties occupied by the Group. Domicile properties are at initial recognition recognised at cost. Domicile properties acquired in a business combination are recognised at fair value at the acquisition date. Subsequently domicile properties are measured at revalued amount representing the fair value. Domicile properties are depreciated on a straight-line basis over the estimated useful life taking account of the residual value. Revaluations are made with regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. An increase in the carrying amount as a result of a revaluation is recognised in Other comprehensive income and presented in a separate revaluation reserve in equity. If an increase due to revaluation reverses a revaluation decrease previously recognised in the income statement, the increase is recognised in the income statement. A decrease in the carrying amount as a result of a revaluation is recognised in the income statement, except from when the decrease reverses a previous revaluation increase recognised in equity, then it is recognised in equity.

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

Leasehold improvements, fixtures, equipment and vehicles, IT equipment are measured at cost, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the estimated useful life:

- Domicile property in Denmark 50 years
- Domicile property in the Netherlands 15 years
- Leasehold improvements 5-10 years
- Fixtures, equipment and vehicles 3-5 years
- IT equipment 3-5 years

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

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

Leases

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability, adjusted for prepaid lease payments, plus any initial direct costs and cost to restore the underlying asset, when it incurs an obligation for those costs. On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the asset. Depreciation charges are recognised in the income statement on a straight-line basis. The right-of-use asset is adjusted for changes in the lease liability.

On initial recognition, the lease liability is measured at the present value of the future lease payments, discounted using an incremental borrowing rate. When assessing the expected lease term, non-cancellable lease terms of the agreements plus periods comprised by an extension option, which management with reasonable certainty expects to exercise, are considered. The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is subsequently measured by increasing the carrying amount, to reflect interest and by reducing the carrying amount to reflect the lease payments made. Further lease liabilities are changed when remeasurements are needed.

The Group presents the right-of-use asset and lease liabilities as part of Tangible assets and Other liabilities.

The Group recognises a right-of-use asset and a lease liability for all lease agreements except for short-term leases (lease term of 12 month or less) and leases of low value assets. Lease payments on lease of underlying assets with low value or short-term are recognised in the income statement when incurred.

Pension plans

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

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

For defined benefit pension plans an annual actuarial calculation is made of the present value of future benefits under the defined benefit pension plan. For defined benefit pension plans, the Group has an obligation to pay defined future benefits from the time of retirement. The present value is determined on the basis of expected future development in variables such as salary levels, interest rates and inflation, time of retirement and mortality. Pension costs for the year are recognised in the income statement based on actuarial estimates and financial expectations at the beginning of the reporting period. Any difference between the expected development in pension plan assets and liabilities and realised amounts determined at the reporting date constitutes actuarial gains or losses and is recognised in Other comprehensive income. The actuarial present value of defined benefit obligations less the fair value of plan assets is recognised in the statement of financial position under Pension and similar provisions.

Note

1 Accounting policies - continued

Provisions

Provisions are recognised if the Group, as a result of a past event has a present legal or a constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. The costs required to settle the obligation are discounted if this significantly impacts the measurement of the liability.

Subordinated debt

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

Other assets and liabilities

The Group uses quantitative and qualitative materiality considerations when aggregating line items in the statement of financial position that are not considered individually material. Such line items are presented under Other assets or Other liabilities.

Tax

Deferred tax comprises temporary differences between the accounting and the tax values of assets and liabilities and is measured in accordance with the liability method. Deferred tax is adjusted for elimination of unrealised intra-group profit and losses. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combination, arose at the time of acquisition without affecting either the Net profit or the taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the assets or settlement of the liability. Deferred tax is measured according to the tax regulations and tax rates in the respective countries enacted or substantively enacted at the end of the reporting date.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised at the expected value of their utilisation: either as offset against tax on future income or as offset against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset these, intends to settle these on a net basis or to realise the assets and settle the liabilities, simultaneously.

Shareholders' equity

Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities. The reserve also comprises foreign exchange differences arising from the translation of derivative financial instruments which hedge the Group's net investment in foreign entities.

Hedging reserve

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

Dividends

Dividends are recognised as a liability at the date when the dividends are adopted at the Annual General Meeting (date of declaration). Dividends proposed for the year are shown in Shareholders' equity.

Additional tier 1 capital

Additional tier 1 capital issued includes no contractual obligation to deliver cash or another financial asset to the holders, as Saxo Bank A/S may, at its sole discretion, omit payment of interest and principal payments to the bond holders. The issue does not qualify as a financial liability according to IAS 32. The net amount received at the date of issue is recognised as an increase in equity. Interest payments are accounted for as dividends which are recognised directly in equity at the time the payment obligation arises. If Saxo Bank A/S chooses to redeem the bonds, equity will be reduced by the redemption amount at the date of redemption.

Non-controlling interests

Non-controlling interests comprise the share of equity in subsidiaries not owned directly or indirectly by Geely Financials Denmark A/S.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note	(1,000 DKK)	2020	2019
2	Interest income		
	Credit institutions and central banks	40,995	108,136
	Loans and other receivables	217,414	104,371
	Bonds at fair value	199,829	214,699
	Bonds at amortised cost	9,731	10,113
	Derivative financial instruments	916,298	1,104,262
	Other interest income	17,345	1,715
	Total interest income	1,401,612	1,543,296
	Interest received due to negative interest rates DKK 35 million (2019: 11 million) is recognised as interest income.		
3	Interest expense		
	Credit institutions and central banks	(163,029)	(75,375)
	Deposits	(30,152)	(57,497)
	Subordinated debt	(57,786)	(74,800)
	Derivative financial instruments	(51,039)	(85,849)
	Other interest expense	(15,085)	(13,522)
	Total interest expense	(317,091)	(307,043)
	Interest paid due to negative interest rates DKK 133 million (2019: 50 million) is recognised as interest expense.		
4	Fee and commission income		
	Trading with equities and derivative financial instruments	3,338,101	1,670,642
	Other fee and commission income	132,054	67,648
	Total fee and commission income	3,470,155	1,738,290
5	Price and exchange rate adjustments		
	Bonds at fair value	(202,654)	(160,650)
	Securities	49,392	20,414
	Foreign exchange	1,065,177	554,152
	Derivative financial instruments ¹⁾	394,995	223,219
	Total price and exchange rate adjustments	1,306,910	637,135
	¹⁾ Other than foreign exchange		
6	Other income		
	Gain from disposal of intellectual property rights	-	479,270
	Other	8,480	77,332
	Total other income	8,480	556,602
	Note 26 Investments in joint ventures provides more information on disposal of intellectual property rights.		

NOTES – GEELY FINANCIALS DENMARK GROUP

Note	(1,000 DKK)	2020	2019
7 Staff costs and administrative expenses			
Staff costs		(1,545,112)	(1,372,445)
Administrative expenses		(1,163,253)	(1,210,246)
Total staff costs and administrative expenses		(2,708,365)	(2,582,691)
Staff costs			
Salaries		(1,562,882)	(1,373,086)
Share-based payment		(4,432)	(1,683)
Defined benefit plans		(5,841)	(5,726)
Defined contribution pension plans		(106,822)	(93,789)
Social security expenses and financial services employer tax		(173,595)	(163,574)
Staff costs transferred to software under development		308,460	265,414
Total staff costs		(1,545,112)	(1,372,445)
Number of full-time-equivalent staff (avg.)		2,134	2,224

Board of Management and Board of Directors in Geely Financials Denmark A/S have not received remuneration. Further, there are no significant risk takers in Geely Financials Denmark A/S except from Board of Directors and Board of Management.

	2020	2019
Below table shows remuneration to significant risk takers in Saxo Bank Group:		
Remuneration to significant risk takers in Saxo Bank Group		
Number of significant risk takers (full-time-equivalents)	57	38
Fixed remuneration	(122,100)	(75,900)
Variable remuneration (including share-based payments)	(42,100)	(9,400)
Total remuneration to significant risk takers	(164,200)	(85,300)

In 2019 part of the variable remuneration in Saxo Bank Group to significant risk takers, which amounted to DKK 4 million, related to an accrued retention bonus, which will be earned by the participants during 2020 and start 2021.

Saxo Bank Group has no pension obligations towards significant risk takers as their pension schemes are defined contribution plans. Variable remuneration is determined according to the Saxo Bank Group's remuneration policy and is based on the performance of the individual person. Some of the significant risk takers have participated in the warrant scheme.

Geely Financials Denmark A/S has not prepared a remuneration policy since no risk takers receive remuneration. Saxo Bank Group's Remuneration Policy for 2020 is available at Saxo Bank Group's website: www.home.saxo/about-us/investor-relations.

Share-based payments, Saxo Bank A/S

In 2020 Saxo Bank A/S has launched a warrant scheme to retain employees on long-term basis and granted 2,807,765 warrants to employees and Board of Management in Saxo Bank Group. Each warrant gives a right to subscribe for one share of nominally DKK 1 against payment of an exercise price of DKK 210. The warrant scheme is equity settled.

Vesting of the warrants are conditional on the performance and capital requirements of Saxo Bank A/S and behavior, compliance with obligations and continued employment of the warrant holder. If one or more of the vesting conditions are not satisfied, the relevant part of the warrants will lapse without compensation. The warrant scheme entails a five-year vesting period and a six-month exercise period. Any remaining warrants forfeit automatically and without any compensation on expiry of the exercise period. The value of employee services received in exchange for warrants granted corresponds to the fair value of the warrants at the date of grant. The fair value of the warrants granted is determined based on the Black-Scholes valuation model.

	Number of warrants granted	Exercise period	Exercise price DKK	Expiry date	Fair value at grant date DKK million
Warrants outstanding, Saxo Bank A/S					
Warrants granted in 2020	2,637,765	2025	210	2025	37
Warrants granted in 2020	170,000	2025-2026	210	2026	2
Total warrants outstanding, Saxo Bank A/S	2,807,765				39

	2020	2019
8 Audit fees		
Audit firm appointed by the general meeting:		
Fees for statutory audit of the consolidated and parent company financial statements	4,918	4,368
Total audit fees	4,918	4,368

NOTES – GEELY FINANCIALS DENMARK GROUP

Note	(1,000 DKK)	2020	2019
9 Tax			
Reconciliation of effective tax rate			
Profit before tax		937,536	(316,544)
Tax using the Danish tax rate 22%		(206,258)	69,640
Effect of tax rates in foreign jurisdictions		(26,040)	(5,241)
Changes in deferred tax from change in tax rate		(63,447)	(8,906)
Impairment		(815)	(219)
Non tax-deductible expenses		(9,395)	(23,512)
Tax-exempt income and tax incentives		13,504	2,560
Non exempted withholding tax and other taxes		(2,548)	(1,398)
Tax on interest recognised directly in equity		-	7,972
Effect of tax of result from joint ventures		(1,559)	-
Adjustments to tax previous years		(2,431)	5,034
Total income tax recognised in income statement		(298,989)	45,930
Effective tax rate		31.9%	14.5%

	Income statement	Other comprehensive income	Total
2020			
Current tax	(295,132)	(22,940)	(318,072)
Changes in deferred tax for the year	64,203	-	64,203
Changes in deferred tax from change in tax rate	(63,447)	-	(63,447)
Non exempted withholding tax and other taxes	(2,182)	-	(2,182)
Adjustment to previous years	(2,431)	-	(2,431)
Total	(298,989)	(22,940)	(321,929)

	Income statement	Other comprehensive income	Total
2019			
Current tax	(88,867)	(743)	(89,610)
Changes in deferred tax for the year	140,067	12,947	153,014
Changes in deferred tax from change in tax rate	(8,906)	-	(8,906)
Non exempted withholding tax and other taxes	(1,398)	-	(1,398)
Adjustment to previous years	5,034	-	5,034
Total	45,930	12,204	58,134

Tax recognised in Other comprehensive income

	Before tax	Tax	Net of tax
2020			
Exchange rate adjustments	(112,397)	-	(112,397)
Hedge of net investments in foreign entities	108,442	(23,857)	84,585
Fair value adjustment of cash flow hedges	2,206	(572)	1,634
Reclassification to income statement (cash flow hedge)	(9,394)	2,338	(7,056)
Remeasurement of defined benefit plans	4,014	(849)	3,165
Other comprehensive income from joint ventures, net of tax	1,658	-	1,658
Total	(5,471)	(22,940)	(28,411)

	Before tax	Tax	Net of tax
2019			
Exchange rate adjustments	59,883	-	59,883
Hedge of net investments in foreign entities	(57,590)	12,670	(44,920)
Fair value adjustment of cash flow hedges	2,854	(743)	2,111
Remeasurement of defined benefit plans	(1,309)	277	(1,032)
Total	3,838	12,204	16,042

	Deferred tax assets		Deferred tax liabilities		Total deferred tax	
	2020	2019	2020	2019	2020	2019
Intangible assets	(1,445)	(1,885)	(1,040,504)	(1,041,351)	(1,041,949)	(1,043,236)
Tangible assets	-	-	(61,631)	(53,923)	(61,631)	(53,923)
Tax losses carried forward	14,709	23,583	196,917	14,709	14,709	220,500
Deferred income	-	-	(246,864)	(246,740)	(246,864)	(246,740)
Provisions	20,223	16,308	256,297	127,745	276,520	144,053
Total	33,487	38,006	(1,092,702)	(1,017,352)	(1,059,215)	(979,346)

Deferred tax assets DKK 15 million (2019: DKK 221 million) arising from unused tax losses are recognised to the extent that the utilisation is probable based on business cases.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note	(1,000 DKK)	2020	2019				
10	Receivables from credit institutions and central banks						
Receivables from credit institutions:							
Demand deposits		5,886,050	6,474,756				
Within 3 months		44,167	925				
From 3 -12 months		5,026	5,353				
From 1 year to 5 years		-	491				
Total receivables from credit institutions		5,935,243	6,481,525				
11	Loans and other receivables at amortised cost						
Trading clients		-	87,356				
Lending clients		4,811,365	9,795,897				
Total loans and other receivables at amortised cost		4,811,365	9,883,253				
Demand deposits		4,811,365	3,540,633				
Within 3 months		-	129,057				
From 3 - 12 months		-	702,173				
From 1 - 5 years		-	5,132,915				
More than 5 years		-	378,474				
Total loans and other receivables at amortised cost		4,811,365	9,883,253				
12	Intangible assets						
2020	Goodwill	Software under development	Software	Technology (Trading Platforms)	Client relationships	Trademark	Total
Cost at 1 January 2020	1,916,232	123,675	899,709	2,381,585	1,074,340	1,239,657	7,635,198
Additions	-	560,074	975	-	-	-	561,049
Transfers from internal development	-	(495,329)	468,165	-	-	-	(27,164)
Disposals	-	-	(49)	-	(4,347)	-	(4,396)
Reclassifications	-	-	-	-	-	(90)	(90)
Exchange rate adjustments	(1,700)	-	(415)	-	(1,772)	(96)	(3,983)
Cost at 31 December	1,914,532	188,420	1,368,385	2,381,585	1,068,221	1,239,471	8,160,614
Amortisation and impairment at 1 January 2020	-	-	(168,855)	(360,252)	(79,182)	(6,066)	(614,355)
Amortisation	-	-	(246,493)	(147,902)	(84,878)	(14,533)	(493,806)
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-	2,920	-	4,344	-	7,264
Reclassifications	-	-	7,472	-	-	-	7,472
Exchange rate adjustments	-	-	294	-	282	135	711
Amortisation and impairment at 31 December	-	-	(404,662)	(508,154)	(159,434)	(20,464)	(1,092,714)
Carrying amount at 31 December	1,914,532	188,420	963,723	1,873,431	908,787	1,219,007	7,067,900
2019	Goodwill	Software under development	Software	Technology (Trading Platforms)	Client relationships	Trademark	Total
Cost at 1 January 2019	1,512,691	121,908	817,852	2,556,000	689,176	1,216,000	6,913,627
Additions from acquisitions	437,811	-	8,331	-	383,491	23,541	853,175
Additions	-	546,622	19,000	-	-	-	565,622
Transfers from internal development	-	(544,856)	512,965	-	-	-	(31,890)
Disposals	(33,413)	-	(459,004)	(174,415)	-	-	(666,832)
Exchange rate adjustments	(858)	-	566	-	1,672	116	1,496
Cost at 31 December	1,916,232	123,675	899,709	2,381,585	1,074,340	1,239,657	7,635,198
Amortisation and impairment at 1 January 2019	-	-	(89,241)	(56,800)	(15,515)	-	(161,555)
Amortisation	-	-	(271,772)	(170,400)	(62,553)	(6,064)	(510,790)
Impairment losses	-	-	(86,140)	(148,555)	-	-	(234,695)
Disposals	-	-	278,443	15,504	-	-	293,946
Exchange rate adjustments	-	-	(144)	-	(1,114)	(2)	(1,260)
Amortisation and impairment at 31 December	-	-	(168,855)	(360,252)	(79,182)	(6,066)	(614,354)
Carrying amount at 31 December	1,916,232	123,675	730,855	2,021,333	995,157	1,233,592	7,020,844

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

13 Tangible assets

The carrying amount of tangible assets amounts to DKK 1.325 million (2019: 1,412 million) of which DKK 1,029 million (2019: DKK 1.058 million) relates to the Group's domicile properties.

The fair value of the Group's domicile properties rely on non-observable input and is measured by applying an asset return model. No independent valuer has been involved. The key input in the asset return model is the rate of return and market rent.

The fair value of Saxo Bank Group's headquarter domicile property rely on non-observable input and is measured by applying an asset return model. No independent valuer has been involved. The key input in the asset return model is the rate of return and market rent. The rate of return applied is 4.6% (2019: 5.1%). No revaluation has taken place in 2020 or 2019. The carrying amount of the property is at 31 December 2020 DKK 624 million (2019: DKK 635 million).

The domicile property in Amsterdam was measured at fair value when acquiring BinckBank N.V. in 2019, determined by an independent valuer. The value of domicile properties decreases with DKK 107 million (2019: DKK 118 million) if the rate of return increases with 0.5 percentage point.

	2020	2019
14 Other assets		
Derivatives financial instruments with positive fair value	5,551,016	4,550,910
Rent deposits	30,450	32,133
Receivables related to joint venture (Loan note)	-	560,398
Other receivables	119,657	166,984
Total other assets	5,701,123	5,310,425
15 Debt to credit institutions and central banks		
Debt on demand	4,393,166	3,290,568
Within 3 months	-	7,202
From 3 - 12 months	-	21,585
From 1 year to 5 years	-	114,435
More than 5 years	-	130,158
Total debt to credit institutions and central banks	4,393,166	3,563,948
16 Deposits		
Deposits on demand, trading clients	59,203,313	57,742,735
Deposits on demand, saving accounts	971,891	1,564,883
Pension funds	4,612	977
Accrued interest	16,845	2,478
Total deposits	60,196,661	59,311,073

NOTES – GEELY FINANCIALS DENMARK GROUP

Note	(1,000 DKK)	2020	2019
17 Other liabilities			
Derivatives financial instruments with negative fair value		4,280,612	2,352,890
Suppliers and other outstanding costs		311,815	403,152
Loans from related parties		400,508	398,142
Staff commitments		488,865	297,008
Lease liability		161,708	199,891
Financial liabilities designated at fair value		-	7,941
Other obligations		15,914	12,153
Total other liabilities		5,659,422	3,671,177

18 Subordinated debt

Currency	Year of issue	Maturity	Interest	Margin first period		Margin second period		Margin third period		2020	2019
				Rate	Years	Rate	Years	Rate	Years		
EUR ¹⁾	2015	14.04.2025	Fixed/ EURIBOR	14.40%	0.25	12.00%	4.75	12.30%	5	-	370,885
EUR ²⁾	2019	03.07.2029	Fixed/ EUR mid swap rate	5.50%	5.00	EUR mid swap rate plus 5.7115%	5.00	-	-	738,764	740,790
Accrued interest on subordinated debt										20,343	19,735
Fair value adjustment due to hedge accounting ³⁾										17,327	8,145
Total subordinated debt										776,434	1,139,555

¹⁾ Nominal value EUR 50 million

²⁾ Nominal value EUR 100 million

³⁾ See note 22 Hedge accounting

Saxo Bank A/S has issued subordinated debt. The tier 2 notes constitute direct, unsecured and subordinated debt obligation of Saxo Bank A/S. In case of the Saxo Bank Group's voluntary or compulsory winding-up the tier 2 capital instruments will not be repaid until the claims of ordinary creditors have been met. The ranking in coverage is that tier 1 capital ranks below tier 2 capital.

Subject to approval by the Danish FSA subordinated debt with a nominal value of EUR 100 million can be optionally redeemed from 3 July 2024 at a redemption price of 100. The tier 2 notes are eligible to constitute tier 2 capital under CRR. Transaction costs related to the issue in 2019 amounted DKK 2 million. Subordinated tier 2 notes issued in 2015 with a nominal value of EUR 50 million were redeemed on first call date in April 2020.

Note 19 Equity provides information on Additional tier 1 capital accounted for as equity.

										2020	2019
19 Equity											
Number of shares outstanding											
Shares issued at 31 December										10,000,000	10,000,000
Total shares outstanding at 31 December										10,000,000	10,000,000
The share capital consist of shares with a nominal value of DKK 1 per share. All shares are issued and fully paid. No shares carry special rights.											
Additional tier 1 capital											
Currency	Year of issue	Maturity	Interest	Borrower	Nominal value	Rate	Years				
EUR	2014	Perpetual	Fixed	Saxo Bank A/S	45 million	9.750%	5.25	-		334,802	
EUR	2019	Perpetual	Fixed ¹⁾	Saxo Bank A/S	60 million	8.125%	5.50	448,270		448,270	
Accrued interest on additional tier 1 capital										3,697	14,691
Total additional tier 1 capital										451,967	797,763

¹⁾ The interest rate is fixed the first five years and six months after issuance. Hereafter the interest rate is fixed every fifth year at the 5-year mid-swap rate plus 8.482% until redemption.

Equity accounted additional tier 1 capital translated into DKK at the applicable exchange rates at 31 December 2020 amounts to DKK 448 million (2019: DKK 785 million).

Saxo Bank A/S has issued additional tier 1 capital. The Additional tier 1 capital notes are perpetual securities and have no fixed date for redemption. Issue of additional tier 1 capital is classified as an equity instrument and equity increased at the time of issue by the net proceeds received. Interest paid to the additional tier 1 bond holders reduces equity at the time of payment and does not affect net profit. If capital is repaid, equity will be reduced by the repaid amount at the time of redemption.

Saxo Bank A/S may, at its sole discretion, omit interest and principal payments to additional tier 1 bond holders. Any interests must be paid out of distributable items in Saxo Bank Group and Saxo Bank A/S. The additional tier 1 capital will be written down temporarily if the Common equity tier 1 ratio falls below 7% for Saxo Bank Group or Saxo Bank A/S. At 31 December 2020 the CET1 1 Capital ratio is 25.1% (2019: 21.6%) for Saxo Bank Group and 26.5% (2019: 28.1%) for Saxo Bank A/S.

Subject to approval by the Danish FSA notes with nominal value of EUR 60 million can be optionally redeemed on the first call date 26 May 2025 or on any interest payment date hereafter at a redemption price of 100. The additional tier 1 notes constitutes tier 1 capital under CRR. The notes issued in 2014 with a nominal value of EUR 45 million were redeemed on first call date in February 2020.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)	2020	2019
20 Contingent and other contractual commitments		
Guarantees		
Financial guarantees	35,672	33,609
Other guarantees	3,794	14,780
Total guarantees	39,466	48,389
Loan commitments etc.		
Other unutilised credit facilities	-	874
Total loan commitments etc.	-	874
Other contractual commitments		
Other contractual commitments	224,087	172,570
Total other contractual commitments	224,087	172,570

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

Geely Financials Denmark A/S is the administration company in a Danish joint taxation. Geely Financials Denmark A/S is taxed jointly with all Danish entities in the Danish joint taxation and is jointly and severally liable with these for payments of Danish corporate tax and withholding tax etc.

BinckBank N.V. has a part of previous acquisition in 2007 acquired the Alex Bottom-Line product, which is an agreement with the Dutch Investors' Association. If BinckBank N.V. terminates this agreement then it will be liable to pay an amount equal to the custody fee and dividend commission paid by each client of Alex Bottom-Line on entry into the agreement, plus the amount of any custody fee and dividend commission additionally paid by each client on exceeding set limits.

	2020	2019
21 Assets deposited as collateral		
Financial assets deposited as collateral		
Cash in hand and demand deposits with central banks	315,140	65,796
Receivables from credit institutions and central banks	1,156,281	543,707
Bonds at fair value	6,747,139	2,346,746
Bonds at amortised cost	2,831,870	2,351,714
Other assets deposited as collateral		
Domicile property	-	365,664

In 2019 cash and domicile property were placed as collateral for an interest swap entered to hedge the mortgage debt. The swap and mortgage debt have been settled in 2020.

Receivables from credit institutions and central banks and bonds serve as collateral for the ongoing financial business with credit institutions. The actual demand for collateral varies from day to day in line with the fair value of the open positions against these credit institutions.

Bonds also serve as collateral for securities lending transactions with clients.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

22 Hedge accounting

The Group is exposed to certain risks relating to its ongoing business operation and has entered into hedging relationships to cover certain interest rate risk and foreign currency risk.

Hedge of net investments - foreign currency risk

The Group hedges the foreign exchange rate exposure arising from net investments excluding goodwill, by establishing hedge relationship between the net investments and currency derivatives or non-derivative financial liabilities designated as the hedge instruments.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that match the foreign exchange exposure on the currency derivatives or non-derivative financial liabilities. A hedge ratio of 1:1 is established as the exposure in net investments is measured and updated each month with the realised net profit of each of the hedged net investment. The notional amount includes the initial net investment and the realised net profit, deducted with dividend and increased/decreased with any other transactions on equity. The Group does not hedge the foreign entities' future income or transactions. The hedge ineffectiveness will arise when the notional foreign currency amount of the investment in foreign entities become lower than the notional amount of the hedging instruments.

	Notional amount	Carrying amount	Financial position item	Recognised in the translation reserve, net of tax (accumulated)	Change in fair value used for measuring hedge ineffectiveness
2020					
<i>Hedge item:</i>					
Foreign exchange risk related to net Investment in foreign entities		5,238,446			(108,097)
<i>Hedging instruments</i>					
Foreign currency derivatives	(86,227)	(86,227)	Other liabilities		10,000
Non-derivatives	(5,151,836)	(5,151,836)	Deposits	(26,565)	99,832
2019					
<i>Hedge item:</i>					
Foreign exchange risk related to net Investment in foreign entities		4,947,148			58,829
<i>Hedging instruments</i>					
Foreign currency derivatives	(64,290)	(64,290)	Other liabilities		(62)
Non-derivatives	(4,846,639)	(4,846,639)	Deposits	58,018	(59,626)

An income of DKK 2 million (2019: loss of DKK 1 million) is recognised in Price and exchange rate adjustments in the income statement due to hedge ineffectiveness.

The impact on Other comprehensive income in Translation reserve is disclosed in statement of changes in equity.

Fair value hedge - tier 2 capital - interest rate risk

The Group uses interest rate swaps to manage the interest rate risk on the tier 2 capital issued in 2019. At 31 December interest swaps are in place with a notional amount of DKK 756 million (2019: DKK 749 million), whereby a fixed rate of interest of 5.5% is received and interest at variable rate equal to EURIBOR 3 months plus 5.7115% on the notional amount is paid. The interest rate swap will expire July 2024.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). A hedge ratio of 1:1 is established for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. The hedge ineffectiveness can arise from different interest rate curve applied and/or differences in timing of cash flows differently impacting the fair value movements of the hedging instrument and hedged item.

	Notional amount	Carrying amount	Financial position item	Accumulated fair value adjustments included in the hedged item	Change in fair value used for measuring hedge ineffectiveness
2020					
Fair value hedge - tier 2 capital					
<i>Hedged item:</i>					
Tier 2 capital		(756,091)	Subordinated debt	(17,327)	(9,182)
<i>Hedging instruments</i>					
Interest rate swap	EUR 100 million	17,327	Other assets		9,182
Hedge ineffectiveness			Price and exchange rate adjustments		-
2019					
Fair value hedge - tier 2 capital					
<i>Hedged item:</i>					
Tier 2 capital		(748,935)	Subordinated debt	(8,132)	(8,132)
<i>Hedging instruments</i>					
Interest rate swap	EUR 100 million	8,145	Other assets		8,132
Hedge ineffectiveness			Price and exchange rate adjustments		-

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

22 Hedge accounting - continued

Fair value hedge - mortgage portfolio - interest rate risk

The Group disposed its mortgage portfolio during 2020 and the interest swap portfolio used to manage the interest risk has been unwinded. Interest swaps have until the disposal of the mortgage portfolio been used to manage part of the interest rate risk on the mortgage portfolio.

In 2020 hedge ineffectiveness was recognised with a loss of DKK 9 million (2019: loss of DKK 1 million).

In the fair value hedge accounting the relationships matched the interest rate risks on the designated cash flows of the mortgage portfolio. There was an economic relationship between the hedged item and the hedging instrument as the interest swaps matched the terms of the fixed rate mortgage loans (i.e. notional amount, maturity and payments). A hedge ratio of 1:1 was established for the hedging relationships as the underlying risk of the interest rate swaps was identical to the hedged risk component.

Ineffectiveness could arise from mismatch of the timing of interest payments or receipts of the interest rate swap and the cash flows from the mortgages, variances in the actual cash flows as compared to the expected cash flows from the mortgages and/or the swap curves used for the measurement of the derivative includes a credit risk surcharge that is not hedged in the hedging relationship.

	Notional amount	Carrying amount	Financial position item	Accumulated fair value adjustments included in the hedged item	Change in fair value used for measuring hedge inef- fectiveness
2019					
Fair value hedge - mortgage portfolio					
<i>Hedged item:</i>					
Mortgage portfolio		1,139,853	Loan and other receivables at amortised cost	19,285	19,285
<i>Hedging instruments</i>					
Interest rate swap	1,090,912	(48,455)	Other liabilities		(18,807)
Hedge ineffectiveness			Price and exchange rate adjustments		478

Cash flow hedge - mortgage debt - interest rate risk

The Group has in 2020 repaid the mortgage debt for which cash flow hedge has been applied. Until the repayment of the debt an interest rate swap agreement was in place whereby a variable rate of interest was received and interests at a fixed rate paid on the notional amount. The exposure to variability in future cash flows due to changes in interest rates on the mortgage debt with a variable interest rate was hedged.

A hedge ratio of 1:1 was established as the terms of the interest swap match the terms of the mortgage debt. To test the ineffectiveness, the hypothetical derivative method was used. Hedge ineffectiveness arose if the terms of the interest swap and the mortgage change inconsistently. No gain or loss due to ineffectiveness was recognised in the income statement in 2020 or 2019.

During 2020, losses of DKK 10 million (2019: DKK 12 million) relating to cash flow hedge were transferred from equity to profit and loss and are reflected in interest expense.

At the time for the termination of the interest swap the amount, net of tax DKK 7 million recognised in the hedging reserve in equity has been reclassified to profit and loss as a reclassification adjustment.

	Notional amount	Carrying amount	Financial position item	Recognised in the hedging reserve, net of tax (ac- cumulated)	Change in fair value used for measuring hedge inef- fectiveness
2019					
<i>Hedging instruments</i>					
Fixed interest swap	255 million	(55,940)	Other liabilities	(5,453)	(2,854)

The impact on Other comprehensive income in Hedging reserve is disclosed in statement of changes in equity.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

23 Related parties

Geely Group Limited has controlling influence in Geely Financials Denmark A/S through existing voting rights and option to acquire further voting rights.

At 31 December 2020, the following shareholders are registered as holders of more than 5% of the share capital of Geely Financials Denmark A/S:

Geely Group Limited, VG1110, British Virgin Islands
Geely Financials International Limited, 89 Queensway, Hong Kong

No consolidated financial statements are prepared above Geely Financials Denmark A/S.

(DKK million)	Board of Directors		Board of Management		Parties with significant influence		Joint ventures	
	2020	2019	2020	2019	2020	2019	2020	2019
Loan note	-	-	-	-	-	-	-	560
Convertible loan notes	-	-	-	-	-	-	331	894
Other assets	-	-	-	-	-	-	2	-
Deposits (liabilities)	-	-	-	-	-	-	-	-
Loans (liabilities)	-	-	-	-	401	398	-	-
Other services (expense)	-	-	-	-	-	-	7	-
Interest (expense)	-	-	-	-	0	4	-	-
Disposal of intellectual property rights	-	-	-	-	-	-	-	2,242
Capital increase (including conversion of convertible loan notes)	-	-	-	-	-	-	560	37

Note 7 provides information on remuneration of Board of Management and Board of Directors.

Neither Geely Financials Denmark A/S nor any Group companies have provided any loans, pledges or guarantees to any member of Geely Financials Denmark A/S' Board of Directors or Board of Management or to persons related to these.

The loans are granted from Geely Financials International Limited to Geely Financials Denmark A/S and consists of 2 loans: EUR 52.0 million and EUR 1.0 million. The intercompany loan between Geely Financials International Limited and Geely Financials Denmark A/S will not be called for repayment until sometime in 2022 at the earliest unless alternative financing has been arranged.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

24 Group entities

	Currency	Net profit	Equity	Ownership
Saxo Bank A/S, Denmark	DKK	750,802	7,397,434	50.89%

The list includes significant subsidiaries of Saxo Bank A/S. Saxo Bank A/S has 100% ownership of the listed entities except for BG SAXO SIM S.p.A (80.1%).

Subsidiaries	Currency	Net profit	Equity	Ownership
Financial institutions				
BG Saxo SIM S.p.A, Italy	EUR	(956)	3,961	80%
Saxo Bank (Schweiz) AG, Switzerland	CHF	843	60,368	100%
Saxo Bank Securities Ltd., Japan	JPY	10,740	1,117,306	100%
Saxo Banque France SAS, France	EUR	165	9,899	100%
Saxo Capital Markets HK, Hong Kong	HKD	(5,851)	125,037	100%
Saxo Capital Markets Pte Ltd., Singapore	SGD	13,695	103,760	100%
Saxo Capital Markets Pty Ltd., Australia	AUD	2,476	26,284	100%
Saxo Capital Markets UK Ltd., UK	GBP	4,300	39,291	100%
BinnBank N.V., The Netherlands	EUR	16,148	419,532	100%
Other				
Saxo Far East (HK) Limited, Hong Kong	HKD	3,074	28,533	100%
Ejendomselskabet bygning 119 A/S, Denmark	DKK	11,922	229,457	100%
Intito A/S, Denmark	DKK	414	25,824	100%
Saxo Group India Private Limited, India	INR	2,880	4,060	100%
Saxo Asgard Computer Technology (Shanghai) Co. Ltd., China Mainland	CNY	91	91	100%
Joint ventures				
Saxo Geely Tech Holding A/S, Denmark	EUR	(13)	9,987	50%

Non-controlling interests of 19.9% relating to BG Saxo SIM S.p.A are not material.

The financial information disclosed is extracted from the companies most recent published annual report.

25 Activities by country

The table discloses information by country, in which Saxo Bank A/S operates through a subsidiary or a branch.

Country	Activity	Income ¹⁾	Profit before tax	Tax	Received government grants	Full-time-equivalent staff
Australia	Trading and investment	88,174	30,042	(9,385)	538	12
Belgium	Sales and marketing	88,503	8,075	(2,146)	-	34
Brazil	Trading and investment	5,247	948	(240)	-	2
China	Sales and marketing, IT development	56,172	(6,695)	(683)	-	91
Czech Republic	Sales and marketing	48,479	4,330	(929)	-	41
Denmark	Trading and investment, sales and marketing	2,092,233	837,210	(86,408)	6	707
United Arab Emirates	Trading and investment	30,398	(4,796)	-	-	13
France	Trading and investment, sales and marketing	153,600	40,710	(12,564)	-	57
Hong Kong	Trading and investment	37,465	(10,725)	2,295	636	15
India	IT-development	277,181	46,509	(13,091)	-	718
Italy	Trading and investment, sales and marketing	50,313	(8,815)	1,324	-	26
Japan	Trading and investment	45,669	3,430	(2,375)	-	16
Netherlands	Trading and investment, IT development	1,447,300	540,021	(142,845)	-	343
Singapore	Trading and investment	417,822	210,796	(30,026)	3,991	92
Switzerland	Trading and investment, IT development	297,734	82,044	(17,844)	-	32
UK	Trading and investment, sales and marketing	302,387	138,189	(26,779)	-	59

¹⁾ Income is defined as the sum of Interests income, Fee and commission income and Other income.

Note 24 provides information on the company names of the Group's significant subsidiaries.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

26 Investments in joint ventures

Saxo Bank A/S owns 50% of the shares in Saxo Geely Tech Holding A/S. The entity is a jointly controlled entity. The purpose with the entity is to hold shares in entities established to provide financial and regulatory technology solutions to financial institutions such as banks and fintechs in Mainland China. In 2020 Saxo Geely Tech Holding A/S has established a subsidiary in China, Saxo Financial Technology Company Limited (Saxo FinTech), by a cash contribution and a contribution in kind of intangible assets.

Summarised financial information for Saxo Geely Tech Holding Group:	2020	2019
Income statement		
Operating expenses	(16,981)	(100)
Depreciation and amortisation	-0	-
Net financing costs	125	-
Profit before tax	(16,856)	-
Tax	2,396	-
Net profit	(14,169)	(100)
Other comprehensive income	(1,397)	-
Total comprehensive income	(15,566)	(100)
Statement of financial position		
Current assets:		
Cash and cash equivalents	56,372	74,720
Assets held for sale	-	2,240,600
Other assets	8,366	-
Non-current assets:		
Intangible assets	2,229,965	-
Tangible assets	985	-
Current liabilities:		
Loan note	-	560,400
Other liabilities	4,013	100
Non-current liabilities:		
Convertible loan note	1,116,354	1,681,200
Total equity	1,175,117	74,620
The amounts disclosed represents the 100% share of Saxo Geely Tech Holding Group. The Group was established in 2020.		
Carrying amount of investments in joint ventures		
50% share of the equity in the joint venture	588,306	37,260
Fair value of convertible loan notes	331,409	893,863
Intercompany elimination	(540,193)	(630,893)
Total investments in joint ventures	379,522	300,230

The Group disposed in 2019 certain intellectual property rights to Saxo Geely Tech Holding A/S. The consideration for the transferred rights comprise of loan notes. One loan note of DKK 560 million was repaid in 2020 and presented in Other assets. In 2020 DKK 562 million was converted to new shares in the joint venture. The remaining loan notes are with conversion rights and presented as part of the investments in the joint venture. Under certain circumstances Saxo Bank A/S has an obligation to subscribe for new shares in Saxo Geely Tech Holding A/S by debt conversion of the convertible loan notes.

The convertible loan notes are in the Group measured at fair value based on unobservable inputs (level 3) by using a discounted cash flow model. The key input in the valuation model is the discount rate of 15%. Had a discount rate of 10% been applied 31 December 2020 a gain of DKK 63 million (2019: DKK 72 million) should have been recognised and had a discount rate of 20% been applied a loss of DKK 31 million (2019: DKK 45 million) should have been recognised.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

27 Acquisition of businesses

No acquisitions have been completed in 2020.

In February 2020, the statutory buy-out proceedings to obtain 100% ownership of BinckBank N.V. was completed. The total purchase price for the remaining non-controlling interests was DKK 97 million (EUR 13 million). On acquisition of the remaining non-controlling interests the acquired net assets are not remeasured at fair value. The difference between the consideration paid and the share of total carrying amount including goodwill was recognised directly in equity.

BinckBank N.V.

In August 2019 the Group acquired BinckBank N.V. and achieved control of the entity by 98.01% ownership.

The table provides a summary of the purchase price for BinckBank N.V. and the allocation of the fair value of acquired assets and liabilities on the acquisition date.

2019	BinckBank
Cash in hand and demand deposits with central banks	14,741,245
Receivables from credit institutions and central banks	1,179,758
Financial assets at fair value	442,123
Bonds at amortised cost	6,989,726
Loans and other receivables at amortised cost	10,209,965
Client relationships	383,491
Trademarks	23,541
Software	8,331
Tangible assets	504,600
Deferred tax assets	21,828
Other assets	820,014
Total assets	35,324,622
Debt to credit institutions and central banks	8,100
Financial assets at fair value	377,153
Deposits	31,351,479
Other liabilities	656,346
Deferred tax liabilities	169,745
Provisions	40,297
Total liabilities	32,603,120
Non-controlling interests	54,157
Acquired net assets	2,667,345
Fair value of total consideration transferred (Cash)	3,105,156
Goodwill arising from the acquisition	437,811

28 Events after the reporting date

No events which materially affect the assessment of the Annual Report 2020 has taken place after the reporting date.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management

The Group's credit risk, market risk, operational and business risk are considered to coincide with the risks identified in Saxo Bank Group hence the risks, procedures and policies described in this note are all established in Saxo Bank Group. Reference in this note to Board of Director and Board of Management is to members of the Boards in Saxo Bank Group. Similar for references to Committees etc.

Saxo Bank Group's overall risk management framework and governance structure is established by the Board of Directors and based on recommendations from the Board Risk Committee. The Board of Directors has in the Board Instructions laid out a set of instructions to the Board of Management on management of the day-to-day business of the Group.

The Board instructions are supplemented by the Group Risk Management Governance & Policies and the Risk Appetite Statements, which defines the Group's risk management framework and articulates the Group's risk appetite and includes specific limits for the Group's risk taking activities.

The Chief Risk Officer (CRO) in Saxo Bank A/S has the overall responsibility for maintaining and developing the risk management framework, as well as for controlling and reporting Saxo Bank Group's risks.

Risk types

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

- **Credit risk:** The risk that a borrower or counterparty fail to meet its obligations in accordance with agreed terms.
- **Market risk:** The risk of a loss in value as a result of changes in market rates and parameters that affect the market values, e.g. interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.
- **Operational risk:** 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.
- **Liquidity risk:** The risk that the Group does not have sufficient liquidity to fulfil its payment obligations as and when they fall due. Also, the risk that the 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. Finally, the risk that the Group does not comply with regulatory liquidity requirements.
- **Business risk:** Business risk is defined as the possibility of inadequate returns caused by either external or internal factors that may affect the Group's earnings volatility, profitability and ability to generate predictable returns.

The Board of Management and the Board of Directors are informed of the Group's risks, capital requirements and liquidity situation on a regular basis.

The Danish FSA receives reporting on capital requirements for Geely Financials Denmark A/S as well as reporting on capital requirements and large exposures for Geely Financials Denmark Group on a quarterly basis.

The unaudited Risk Report 2020 provides additional information about Saxo Bank Group's risk management approach. Risk Report 2020 is available for download from Saxo Bank Group's website at www.home.saxo/about-us/icaap-and-risk-reports.

CREDIT RISK

Credit risk is defined as the risk that a borrower or counterparty fail to meet its obligations in accordance with agreed terms.

The Board of Directors has defined the Group Credit Risk Policy, and articulated Group's credit risk appetite and approved specific limits for the largest clients and counterparties as well as industry sector limits. The Policy, Risk Appetite Statements and the limits are reviewed as often as needed and as a minimum once a year.

The Group is exposed to credit risk that derives from lending activities, credit risk related to derivatives, bonds and securities. The credit risk exposure consists of financial statement items and off-balance items that carry credit risk.

Lending Activities

The credit risk on lending activities includes credit risk related to cash in hand and demand deposits with central banks, receivables from credit institutions and central banks and loans and other receivables at amortised cost. Lending activities also includes off-balance items related to guarantees and unutilised credit facilities.

Loans and other receivables are mainly loans issued to clients used to invest in securities. This lending can furthermore be used to cover margin requirements related to derivative positions. To the extent the securities act as collateral, the credit risk is managed by applying haircuts to the value of the securities to ensure that the clients positions in case of default can be liquidated without a loss. The quality and value of the underlying collateral is considered at the time of issue. The collateralised loans are continually monitored by an automated process using real time prices, considering the haircuts assigned to the individual securities. Haircuts may be adjusted without any prior notice at any time, in response to market movements or other factors. Collateralised loans are predominantly covering margin lending in The Netherlands.

The Group calculates and monitors clients margin requirements in real-time, and clients must always meet their margin requirement. In case of breach of margin requirements, a stop-out procedure is initiated. In case of extreme unexpected market price gaps, a negative balance may occur which is recognised as other receivables.

The Group is exposed to credit risk on off-balance items covering guarantees issued and to a minor extent unutilised facilities.

In 2019 and part of 2020 the Group was exposed to credit risk on mortgages. Through BinckBank N.V. the Group had mortgage receivables on Dutch residential mortgages. Collateral for mortgages comprised Dutch residential properties and the Dutch National Mortgage Guarantee Scheme. The residual credit risk on top of the collateral was limited. The mortgage portfolio was fully disposed in 2020 with a loss of DKK 15 million. The loss from the disposal is recognised in Other expenses.

Credit risk, derivatives

The Group is exposed to credit risk related to derivatives. The positive market value of outstanding derivatives transactions comprises a credit risk in case the counterpart is not able to fulfil the transaction. The instruments cover financial derivatives like options, futures and forward contracts.

Bonds and Securities

The Group is exposed to credit risk through bond holdings obtained as part of the liquidity management. The Board Risk Appetite Statement sets requirements for the credit quality of these bonds and accordingly only a smaller part of the bond portfolio can be placed in bonds that are rated lower than AAA Standard & Poors rating.

Bonds at amortised cost consist of an investment portfolio of readily marketable bonds that are primarily traded by professional market parties without the intermediation of a regulated market. Price quotes are available from brokers on request. The fair value of bonds recognised at amortised cost amounts to DKK 3,433 million (2019: DKK 3,349 million).

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

Credit risk exposure

2020	Lending activities	Credit risk, derivatives	Bonds and securities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	29,054,655	-	-	29,054,655
Receivables from credit institutions and central banks	5,940,384	-	-	5,940,384
Financial assets at fair value	-	5,551,016	25,069,724	30,620,741
Bonds at amortised cost	-	-	3,399,602	3,399,602
Loans and other receivables at amortised cost	4,828,109	-	-	4,828,109
Investment securities	-	-	5,959	5,959
Convertible loan notes at fair value	331,409	-	-	331,409
Impairment allowance	(24,408)	-	(638)	(25,046)
Total credit exposure in statement of financial position	40,130,149	5,551,016	28,474,647	74,155,812
Off-balance items				
Guarantees	61,936	-	-	61,936
Other unutilised credit facilities	-	-	-	-
Impairment allowance	(22,470)	-	-	(22,470)
Credit exposure off-balance items	39,466	-	-	39,466
Total credit exposure net of impairment	40,169,615	5,551,016	28,474,647	74,195,279
2019	Lending activities	Credit risk, derivatives	Bonds and securities	Total
Statement of financial position item				
Cash in hand and demand deposits with central banks	24,279,838	-	-	24,279,838
Receivables from credit institutions and central banks	6,480,938	-	-	6,480,938
Financial assets at fair value	-	4,542,765	20,924,838	25,467,603
Bonds at amortised cost	-	-	3,349,470	3,349,470
Loans and other receivables at amortised cost	9,899,687	-	-	9,899,687
Investment securities	-	-	7,756	7,756
Convertible loan notes at fair value	894,000	-	-	894,000
Impairment allowance	(22,391)	-	(205)	(22,596)
Credit exposure in statement of financial position	41,532,072	4,542,765	24,281,859	70,356,696
Off-balance items				
Guarantees	68,360	-	-	68,360
Other unutilised credit facilities	13,540	-	-	13,540
Impairment for off-balance items	(19,970)	-	-	(19,970)
Credit exposure off-balance items	61,930	-	-	61,930
Total credit exposure net of impairment	41,594,002	4,542,765	24,281,859	70,418,626

The Group has a credit risk exposure of DKK 331 million (2019: DKK 894 million) related to convertible loan notes issued in 2019 to Saxo Geely Tech Holding A/S as consideration for disposed intellectual property rights. The convertible loan notes are presented as part of the investments in joint ventures and are not included in the subsequent disclosures for lending activities as it is not considered part of the Group's normal lending activities.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

CREDIT RISK - LENDING ACTIVITIES

2020	Credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
Demand deposits with central banks	29,054,655	(2,523)	29,052,132	-	29,052,132
Receivables from credit institutions and central banks	5,940,384	(5,141)	5,935,243	3,320,381	2,612,086
Loans and other receivables at amortised cost:					
* Loans collateralised by securities	4,759,376	-	4,759,376	4,759,376	-
* Other loans and receivables	22,944	(16,744)	6,200	-	6,200
* Accrued interest loans	45,789	-	45,789	-	45,789
Guarantees and other unutilised facilities	61,936	(22,470)	39,466	3,415	36,052
Total	39,885,084	(46,878)	39,838,206	8,083,172	31,752,258

2019	Credit exposure	Impairment	Exposure before collateral	Collateral held	Remaining exposure
Demand deposits with central banks	24,279,838	(3,362)	24,276,476	-	24,276,476
Receivables from credit institutions and central banks	6,484,120	(2,595)	6,481,525	3,320,381	3,161,144
Loans and other receivables at amortised cost					
* Mortgages collateralised by residential property	5,657,771	(15,274)	5,642,497	5,642,497	-
* Loans collateralised by securities	4,201,120	-	4,201,120	4,201,120	-
* Other loans and receivables	1,266	(1,160)	106	-	106
* Accrued interest loans	39,530	-	39,530	-	39,530
Guarantees and other unutilised facilities	81,900	(19,970)	61,930	19,790	42,140
Total	40,745,545	(42,361)	40,703,184	13,183,788	27,519,396

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

CREDIT RISK - LENDING ACTIVITIES - continued

Collateral held against lending activities - loans and other receivables at amortised cost

An essential element of the Group's credit policy is to mitigate credit risk by collateral.

Securities received as collateral for the collateralised loans are subject to a haircut percentage of minimum 20% depending on the underlying type of security and the issuer. The collateral value covering securities has in the table below been reduced by the applied haircuts. The market movements are analysed daily, and the haircut percentages updated for all stocks at least once a month. In case of extreme price volatility this percentage is adjusted immediately. The Risk Appetite framework defines the maximum exposures accepted on the individual securities.

	2020	2019
Credit exposure net of impairment	4,850,832	9,945,183
Collateral:		
Listed securities (collateralised loans)	4,759,376	4,201,120
Residential property (mortgages)	-	3,680,018
Dutch National Mortgage Guarantee Scheme (NHG)	-	1,962,479
Other corporate tangible and intangible assets	3,415	19,790
Total collateral	4,762,791	9,863,407
Total unsecured credit exposure lending activities	88,041	81,776
Credit risk exposure broken down by sector and geography		
Sector distribution:		
Retail clients	2,108,047	7,458,889
Other businesses	2,742,785	2,486,294
Total	4,850,832	9,945,183
Geographical distribution:		
Denmark	40,136	170,419
The Netherlands	4,451,784	9,310,740
Other countries	358,912	464,024
Total	4,850,832	9,945,183

CREDIT RISK - CREDIT INSTITUTIONS AND CENTRAL BANKS

The Group has defined the risk appetite on credit institutions and central banks by setting minimum rating requirements and by defining acceptable country specific criteria. Credit ratings are based on Standard & Poor's ratings.

Receivables from credit institutions and central banks by credit rating category

	Credit institutions	Central banks	Total
2020			
AAA	-	26,783,373	26,783,373
AA	62,888	465,201	528,089
AA-	113,070	1,718,298	1,831,368
A-	4,438,304	-	4,438,304
BBB	16,113	85,260	101,373
BBB-	1,281,618	-	1,281,618
BB-	21,061	-	21,061
B	2,188	-	2,188
Total	5,935,243	29,052,132	34,987,375
2019			
AAA	-	23,818,165	23,818,165
AA-	29,675	374,796	404,471
A-	2,766,768	-	2,766,768
BBB-	351,225	83,515	434,740
BB-	3,331,238	-	3,331,238
B	2,619	-	2,619
Total	6,481,525	24,276,476	30,758,001

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

CREDIT RISK - CREDIT INSTITUTIONS AND CENTRAL BANKS - continued

Receivables from credit institutions and central banks by geography

	Credit institutions	Central banks	Total
2020			
Denmark	898,367	201,007	1,099,374
The Netherlands	34,618	23,440,062	23,474,680
Europe other	3,551,934	5,411,063	8,962,996
Asia	1,088,830	-	1,088,830
Other	361,495	-	361,495
Total	5,935,243	29,052,132	34,987,375
2019			
Denmark	143,688	1,421,273	1,564,961
The Netherlands	1,550,606	19,798,585	21,349,191
Europe other	4,120,970	3,056,618	7,177,588
USA	212,076	-	212,076
Australia	67,853	-	67,853
Asia	377,343	-	377,343
Other	8,989	-	8,989
Total	6,481,525	24,276,476	30,758,001

Receivables from credit institutions and central banks can be withdrawn on-demand except for mandatory reserve deposits of DKK 368 million (2019: DKK 397 million). The mandatory reserve deposits are not free for withdrawal.

No collateral is received for receivables from credit institutions at 31 December 2020 (2019: DKK 3,320 million).

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued) CREDIT RISK - DERIVATIVES AND BONDS

Derivative financial instruments	2020			2019		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Currency contracts						
Forwards/futures purchased	17,618,051	131,198	(331,956)	18,030,205	66,060	(200,257)
Forwards/futures sold	24,509,278	244,899	(279,418)	24,218,534	296,269	(156,399)
Options purchased	19,991,994	38,602	(134,667)	20,705,360	36,336	(111,723)
Options written	18,673,775	129,846	(29,080)	20,886,646	124,713	(41,079)
Unsettled spot purchased	17,469,867	532,019	(222,295)	19,413,526	797,971	(119,579)
Unsettled spot sold	15,634,873	676,960	(47,747)	19,603,660	662,332	(43,966)
Interest rate contracts						
Forwards/futures purchased	4,302,811	8,275	(7,918)	9,705,825	22,527	(3,264)
Forwards/futures sold	4,282,007	8,531	(1,187)	9,422,958	804	(27,416)
Options purchased	8,710,113	846	(1,733)	11,654,415	1,141	(4,456)
Options written	8,343,181	1,602	(683)	11,654,415	4,456	(1,141)
Interest swaps 1)	744,024	17,327	-	2,174,003	8,145	(104,395)
Equity contracts						
Forwards/futures purchased	24,224,847	619,528	(1,356,243)	18,603,504	704,760	(623,203)
Forwards/futures sold	22,949,203	1,272,434	(117,544)	17,683,522	970,968	(65,711)
Options purchased	24,063,084	144,213	(1,099,069)	15,133,662	894	(347,676)
Options written	23,786,438	1,059,713	(248)	15,129,623	347,656	(940)
Commodity contracts						
Forwards/futures purchased	2,697,006	8,808	(98,487)	2,955,226	23,193	(67,238)
Forwards/futures sold	2,738,611	108,074	(5,964)	2,977,040	68,933	(13,347)
Options purchased	833,218	1,300	(17,248)	1,822,757	868	(25,297)
Options written	829,168	16,325	(374)	1,822,757	25,297	(869)
Other contracts						
Turbos	528,753	530,516	(528,753)	394,933	387,587	(394,933)
Total derivatives		5,551,016	(4,280,612)		4,550,910	(2,352,889)

1) Interest swaps are presented as Other assets and Other liabilities, note 14 and 17

Derivatives

The Group has entered into master netting or similar agreements that include rights to additional set-off in the event of default by a counterparty. Such agreements reduce the credit risk exposure, but do not qualify for offsetting in the statement of financial position. The net credit risk exposure to derivatives with positive market value after offsetting under master netting agreements amounted to DKK 1,071 million (2019: DKK 517 million). The net uncovered positive fair value generally represents credit risk exposures, which the Group has accepted within its policies and risk limits, either as a granted credit line for corporate and retail clients, an approved counterparty exposure risk for financial institutions or through a close out netting agreement which is not formally verified by a legal opinion. It should be noted that a significant portion of the mentioned exposure is held against different exchanges representing a limited credit risk.

Bond portfolio

The following tables provide an insight into various risk concentrations based on credit ratings and geography for bonds. Credit ratings are based on Standard & Poor's ratings. The portfolio of bonds is distributed on Danish mortgage bonds and government bonds in Europe and the United States. The Group has defined the type of bonds and the minimum rating requirements on the individual bonds in the risk appetite statements. The Group has low appetite for non-investment grade bonds.

	Danish mortgage bonds	Government bonds	Total
2020			
Bonds at fair value	14,738,772	10,248,509	24,987,282
Bonds at amortised cost	-	3,365,007	3,365,007
Accrued interest	-	-	116,400
Total	14,738,772	13,613,517	28,468,689
2019			
Bonds at fair value	13,798,200	6,907,020	20,705,220
Bonds at amortised cost	-	3,324,753	3,324,753
Accrued interest	-	-	122,242
Total	13,798,200	10,231,773	24,152,215

Bond portfolio by rating category

	Danish mortgage bonds	Government bonds	Total
2020			
AAA	9,657,699	1,799,757	11,457,456
AA+	5,081,073	4,987,981	10,069,054
AA	-	4,653,237	4,653,237
Other investment grade	-	2,172,542	2,172,542
Accrued interest	-	-	116,400
Total	14,738,772	13,613,517	28,468,689
2019			
AAA	8,762,251	2,431,718	11,193,969
AA+	4,848,786	3,318,949	8,167,735
AA	187,163	2,983,857	3,171,020
Other investment grade	-	1,497,249	1,497,249
Accrued interest	-	-	122,242
Total	13,798,200	10,231,773	24,152,215

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

CREDIT RISK - DERIVATIVES AND BONDS - continued

Bond portfolio by geography

	Danish mortgage bonds	Government bonds	Total
2020			
Denmark	14,738,772	-	14,738,772
Europe other	-	7,889,064	7,889,064
USA	-	5,724,452	5,724,452
Accrued interest	-	-	116,400
Total	14,738,772	13,613,517	28,468,689
2019			
Denmark	13,798,200	-	13,798,200
Europe other	-	6,045,699	6,045,699
USA	-	4,186,074	4,186,074
Accrued interest	-	-	122,242
Total	13,798,200	10,231,773	24,152,215

CREDIT RISK - EXPECTED CREDIT LOSS

The Group recognises expected credit loss on financial assets measured at amortised cost. The expected credit loss is based on an estimate of the loss arising from difference between the expected cash flows and the contractual cash flows. The methodology takes account of both historical and prospective information and contains subjective estimates. The impairment model considers:

- The deterioration of the credit risk of the counterparty as compared to initial recognition
- The Probability of Default (PD)
- The Loss Given Default (LGD)
- The Exposure At Default (EAD)

For the financial instruments measured at amortised cost, staging is applied to categorise the credit risk compared to the credit risk at initial recognition. Financial assets whose credit risk has not significantly deteriorated since initial recognition are classified as stage 1. Expected credit losses for these assets are based on the probability that the counterparty will be in default in a period of 1 year (12-months PD). For financial assets for which it is identified that the counterparty has a significant deterioration since initial recognition in credit risk are classified in stage 2 or stage 3. In these cases, the expected credit loss is determined based on the PD over the entire term of the asset (lifetime PD).

On transition from stage 1 to stage 2 and stage 3 respectively, a significant increase in the credit risk is identified based on the development in the borrower's deterioration of credit risk. The following events are indications of a significant deterioration compared to the determined credit risk on initial recognition of the asset:

- The borrower is in arrears for more than 30 days or more than 90 days
- Clients experiencing significant financial difficulties
- Breach of contract by the client with the Group or with another creditor
- Clients who are bankrupt or where there is a possibility of bankruptcy
- Trading clients with negative account value following a stop-out

A financial asset is credit-impaired when one or more events have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Definition of default:

- The borrower is in arrears for more than 90 days
- The borrower is not expected to be able to meet its obligations

Both quantitative and qualitative indicators are applied when assessing the credit risk and whether the borrower is expected to be able to meet its obligations.

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

CREDIT RISK - EXPECTED CREDIT LOSS - continued

The impairment principles on credit risk segments are as follows:

Demand deposits and receivables from credit institutions and central banks

Cash in hand, demand deposits and receivables from credit institutions and central banks are individually assessed for expected credit loss. The receivables are on demand, as a result the expected credit loss is calculated based on a 12-months probability of default (stage 1), unless the probability of default has significantly deteriorated from the time of initial recognition. All credit exposures towards credit institutions and central banks are classified in stage 1.

Loans collateralised with securities

Loans collateralised with securities are individually assessed for expected credit loss. Collateralised loans are automatically assessed at the time that the loans are issued, taking account of the funding percentages for the collateral that qualifies for that purpose. The credit risk lies in movements in value of the position and/or the collateral received. Specific attention is given to undesirable concentrations in client portfolios and risk mitigating factors applies. A deficit arises when the value of the collateral is insufficient to cover the collateralised loans and/or margin obligations. In case of a deficit the client is required to provide additional collateral, and if the client fails to do so the Group is entitled to wind down the positions. The impairment for expected credit loss on loans collateralised with securities is individually determined and when winding down the positions the loan is transferred to stage 3.

Bonds at amortised cost

Bonds at amortised cost are individually assessed for expected credit loss. The investment portfolio consists solely of investments with an investment grade rating. Based on the investment grade rating the investments are considered to have a low credit risk and if the credit risk has not deteriorated significantly since initial recognition the investments are classified in stage 1.

Non-performing loans

The Group holds a limited amount of non-performing loans. They are transferred to stage 3 exposures and subject to ongoing stresstest calculations.

Financial assets at amortised costs before provisions

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
2020				
Demand deposits with central banks	29,054,655	-	-	29,054,655
Receivables from credit institutions and central banks	5,940,384	-	-	5,940,384
Loans and other receivables at amortised cost	4,811,706	-	16,403	4,828,109
Bonds at amortised cost	3,399,602	-	-	3,399,602
Guarantees	3,794	-	58,142	61,936
Total	43,210,141	-	74,545	43,284,686

Impairment allowance by stages

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
2020				
Demand deposits with central banks	2,523	-	-	2,523
Receivables from credit institutions and central banks	5,141	-	-	5,141
Loans and other receivables at amortised cost	-	-	16,744	16,744
Bonds at amortised cost	638	-	-	638
Guarantees	-	-	22,470	22,470
Total	8,302	-	39,214	47,515

Financial assets at amortised costs before provisions

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
2019				
Demand deposits with central banks	24,279,838	-	-	24,279,838
Receivables from credit institutions and central banks	6,480,938	-	-	6,480,938
Loans and other receivables at amortised cost	9,888,751	3,064	7,872	9,899,688
Bonds at amortised cost	3,349,880	-	-	3,349,880
Guarantees	15,551	-	52,809	68,360
Total	44,014,958	3,064	60,681	44,078,703

Impairment allowance by stages

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
2019				
Demand deposits with central banks	3,362	-	-	3,362
Receivables from credit institutions and central banks	2,595	-	-	2,595
Loans and other receivables at amortised cost	8,889	67	7,478	16,434
Bonds at amortised cost	205	-	-	205
Guarantees	-	-	19,970	19,970
Total	15,051	67	27,448	42,566

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

CREDIT RISK - EXPECTED CREDIT LOSS - continued

Consolidated impairment allowance for financial assets at amortised cost and guarantees

	Stage 1	Stage 2	Stage 3	
2020	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Impairment allowance 1 January 2020	15,052	66	27,448	42,566
Disposal of mortgages portfolio	(12,868)	(111)	(4,808)	(17,787)
Increases due to redemptions and acquisition	-	-	(3,150)	(3,150)
Changes due to change in credit risk (net)	6,083	45	19,758	25,886
Impairment allowance 31 December 2020	8,267	-	39,248	47,515

	Stage 1	Stage 2	Stage 3	
2019	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Impairment allowance 1 January 2019	2,265	-	21,817	24,082
Decreases due to redemptions and derecognition	(356)	(15)	(497)	(868)
Increases due to origination and acquisition	9,844	356	-	10,200
Changes due to change in credit risk (net)	3,299	(275)	6,270	9,294
Changes due to modifications with derecognition (net)	-	-	(142)	(142)
Impairment allowance 31 December 2019	15,052	66	27,448	42,566

Securities lending

The Group offers security lending primarily to clients in the Netherlands.

The table list the payables to clients for lending out their securities and a receivable relating to the third party who is borrowing the clients securities. Neither the receivable or the payable is recognised in statement of financial position as the ownership and control of the securities remain with the client and the Group acts as an intermediary between the client and the third party.

The Group receives securities as collateral from the third party (collateral received) and is obliged to provide securities as collateral to the client for the securities that they have lent out (collateral pledged). The Group either provide the same securities as received or own securities as collateral to the clients.

	2020	2019
Receivables in respect of securities lending (third party)	634,604	529,681
Collateral received	679,087	551,710
Liabilities in respect of securities lending (clients)	634,604	502,169
Collateral pledged	669,174	527,967

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued)

MARKET RISK

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

The Group's market risk exposures can be grouped into the following two main categories:

1. Market risk exposures arising from the accumulation, matching and optimisation of hedges within Trading & Market Access (TMA). TMA is supporting the Group's online trading and investment services. Market risk exposures arise when clients' trading activities are not fully hedged on a back-to-back basis.
2. Investments related market risk exposures in Group Treasury (GT). GT invests the Group's liquidity buffer with respect to risk appetite and return of yield. Liquidity buffer mainly consist of client deposits and to some extend the liquid part of the Group's equity. This GT portfolio is to be composed to constitute the main part of the Group's Liquidity Buffer.

The Board of Directors has defined the overall Group Market Risk Policies as well as specific limits for the different types of market risk defined in the Group's risk appetite. Based on this, market risk limits are delegated to the organisation. Market risk exposures are monitored by Group Risk & Capital Management, and the limit utilisation is on a regular basis reported to all governing levels of the Group, including the Board of Directors.

The overall Board policies and limits are supplemented by business procedures, work instructions and more detailed risk limits. The Group Market Risk Policy, the Risk Appetite Statements and the limits are reviewed as often as needed and as a minimum once a year.

Management, monitoring and reporting

The market risk is quantified and monitored against exposure limits set by the Board of Directors. Exposure limit utilisations are monitored on a continuous basis and are evaluated on an end-of-day basis by an independent second line risk management function being responsible for monitoring and reporting. Exposure limits are set according to the underlying asset class and different risk profiles within a single asset class.

Exposure limits on foreign exchange are segmented into more granular levels based on instrument characteristics such as market availability, liquidity and volatility. On foreign exchange options, limits are also set on the gamma and vega to ensure that the key risk elements (underlying price sensitivity and volatility) from options are considered and monitored.

Exposure limits on interest rate risk are set for trading related activities on a net and gross basis but also for different rating categories and issuers. In addition, concentration risk with respect to investments in bonds is limited to a fraction of the outstanding amount of the individual bond series.

Exposure limits on equities and commodities are set on a gross, net and single basis in order to capture market movements and concentration risk. The single level is furthermore broken into tenors to avoid concentration risk in specific time buckets.

Interest rate risk

Interest rate risk is the risk of loss on positions in interest rate sensitive instruments caused by changes in interest rates – most distinct types of interest rate sensitive instruments are bonds but also interest rate futures, derivatives and term deposits. The primary risk exposures in this portfolio are towards market risks, i.e. interest rate and credit spread risk.

Positions in interest rate instruments are categorised as either being subject to the trading book or being subject to the banking book. The interest rate risk in the trading book versus the banking book is different in nature. Assets held by the Group under the trading book are deemed to be available for sale and hence subject to fair value accounting and exposed to daily changes in mark-to-market. In contrast, assets held by the Group under the banking book are deemed to be held to maturity and hence subject amortised cost.

Trading book

All positions in the trading book are governed by the fair-value principle.

The interest rate risk in the trading book is managed by limiting both net and gross positions.

Interest rate risk is calculated by a parallel shift in the interest rate curve of one percentage point and the numbers reflect the estimated impact on profit before tax.

Interest rate risk sensitivity - Trading book	2020		2019	
	+1%	-1%	+1%	-1%
Net	110,864	(110,864)	92,551	(92,551)
Gross	150,960	(150,960)	116,000	(116,000)

NOTES – GEELY FINANCIALS DENMARK GROUP

(1,000 DKK)

29 Risk management (continued)

MARKET RISK - continued

Banking book (IRRBB)

The Group's exposure to interest rate risk in the banking book portfolios originates mainly from investments and their management in BinckBank N.V. The risk management of the portfolio of banking book items in BinckBank N.V. is subject to applicable regulation and guidelines by the European Banking Authority (EBA).

The Group is subject to regulatory guidelines under the IRRBB framework and the interest rate risk is managed by adopting the Economic Value (EV) approach. The EV approach is calculated across all assets and liabilities in the banking book and assesses how changes in interest rates impact the Group's economic value. The Group's total interest rate sensitivity within IRRBB (economic value-based measure) is measured as the change in the net present value of assets and liabilities to specific interest rate shocks and scenarios.

The table shows the change as a result of a parallel interest curve shift of one percentage point upwards and downwards including a regulatory floor to the yield curve and model for depositor's behaviour.

Interest rate risk sensitivity - Banking book	2020		2019	
	+1%	-1%	+1%	-1%
Interest rate risk on bonds and loans included in the banking book	-186,277	124,147	(36,678)	40,168

Disposal of mortgage portfolio in BinckBank N.V.

BinckBank's Dutch mortgage portfolio was disposed in Q4 2020. Simultaneous with the execution of the sale the portfolio of interest rate swaps (IRS's) - initially serving as a hedge for the mortgage portfolio and other assets - were unwound. At year-end the banking book portfolio in BinckBank consisted of an investment portfolio of government or government-guaranteed bonds and customers' deposits leading to a more simple composition of the banking book.

Foreign currency risk

Foreign currency risk is the risk of loss on positions in foreign currency products due to changes in currency rates. Included in this is the loss as a result of positions in currency derivatives as currency options. The Group measures its foreign currency risk by calculating the higher of the sum (per currency) of all long foreign currency positions or the sum of all short foreign currency positions. The corresponding sensitivity is calculated by applying a loss-generating shift to the exchange rate of 1%.

	2020		2019		
Long positions	Exposure	Sensitivity (1%)	Exposure	Sensitivity (1%)	
CNY	197,579	1,976	GBP	27,526	275
USD	68,957	690	JPY	22,473	225
CAD	17,295	173	NOK	8,830	88
PLN	5,952	60	CNH	8,496	85
NOK	3,984	40	CAD	7,528	75
Other	13,395	134	Other	9,433	94
Total long positions	307,162	3,072	84,286	842	

	2020		2019		
	Exposure	Sensitivity (1%)	Exposure	Sensitivity (1%)	
Short positions					
EUR	213,062	2,131	EUR	59,854	599
JPY	32,670	327	PLN	17,802	178
SGD	26,501	265	SGD	8,360	84
INR	25,680	257	RUB	4,706	47
HKD	21,706	217	MXN	4,698	47
Other	68,543	685	Other	14,316	143
Total short positions	388,163	3,882	109,736	1,098	
Total gross		6,953		1,940	

Equity risk

Equity risk is the risk of losses due to changes in equity prices. The Group manages its equity price risk exposure by limiting both net and gross positions in cash equities and the delta equivalent of positions in equity derivatives. The sensitivities are calculated by applying an unfavourable move in equity prices of 5% for each of the positions.

	2020		2019	
	Exposure	Sensitivity (5%)	Exposure	Sensitivity (5%)
Long	13,316	666	9,956	498
Short	6,943	347	22,014	1,101
Total gross	20,260	1,013	31,970	1,599

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)

29 Risk management (continued) MARKET RISK - continued

Commodity risk

Commodity risk is the risk of losses due to changes in commodity prices. The exposure towards commodities due to positions in financial instruments is limited to facilitating client flow. The Group manages its commodity price risk by limiting its net exposure. The net exposure is determined by measuring each commodity types exposure and applying an unfavourable shift of 5% for each commodity type.

Commodity type	2020		2019	
	Exposure	Sensitivity (1%)	Exposure	Sensitivity (5%)
Brent Crude	180	9	952	48
Palladium	688	34	692	35
Light Sweet Crude Oil	252	13	474	24
Copper	366	18	470	24
Ultra Low Sulphur Heating Oil	173	9	285	14
Cocoa	12	1	51	3
Sugar	111	6	82	4
Soybeans	31	2	109	5
Live Cattle	281	14	177	9
Natural gas	241	12	255	13
CO2	265	13	324	16
Gasoline	380	19	329	16
Wheat	312	16	371	19
Corn	76	4	430	22
Coffee	60	3	479	24
Light Sweet Crude Oil	252	13	913	46
Platinum	535	27	1,120	56
Silver	19,483	974	3,787	189
Dutch Power	0	0	-	-
Lean Hogs	130	7	-	-
Low Sulphur Gasoil	322	16	-	-
Total gross	24,150	1,207	11,300	567

NOTES – GEELY FINANCIALS DENMARK GROUP

Note (1,000 DKK)	2020	2019 ¹	2018
30 Key figures			
Income statement			
Net interest, fees and commissions	3,060,696	1,972,350	598,976
Price and exchange rate adjustments	1,306,910	637,135	222,434
Staff costs and administrative expenses	(2,708,365)	(2,582,691)	(711,064)
Impairment charges loans and receivables	(24,430)	(9,397)	172
Result from joint ventures	(7,084)	(50)	-
Profit before tax	937,536	(316,544)	717,251
Net profit	638,547	(270,615)	735,765
Statement of financial position			
Loans and other receivables at amortised cost	4,811,365	9,883,253	138
Deposits	60,196,661	59,311,073	21,370,224
Subordinated debt	776,434	1,139,555	370,291
Total equity	10,508,541	10,342,023	9,573,613
Total assets	83,099,122	79,439,051	39,474,188
Number of full-time-equivalent staff (end of year)	2,224	2,170	1,658
Key figures and ratios			
Total capital ratio	25.1%	19.6%	27.5%
Tier 1 capital ratio	22.1%	16.2%	24.5%
Return on equity before tax	21.8%	-3.2%	7.5%
Return on equity after tax	6.1%	-2.7%	7.7%
Income/cost ratio	1.27	0.91	1.79
Interest rate risk	-2.3%	2.0%	3.2%
Foreign exchange rate risk/Tier 1 capital	22.7%	9.0%	5.3%
Value at risk of foreign exchange rate risk/Tier 1 capital	0.1%	0.1%	0.0%
Loans and advances plus impairment allowance/Deposits	8.0%	16.7%	0.0%
Loans and advances proportional to Total equity	0.46	0.96	0.00
Growth in loans and other receivables	-51.3%	>1,00%	N/A
Sum of large exposures/CET 1 capital	28.4%	44.5%	13.5%
Loss and provisions ratio	0.5%	0.1%	-0.2%
Return on assets	0.8%	-0.3%	1.9%

1) Key figures and ratios are impacted by acquisition of BinckBank N.V. from August 2019.

PARENT FINANCIAL STATEMENTS

INCOME STATEMENT – GEELY FINANCIALS DENMARK A/S

1 JANUARY 2020 - 31 DECEMBER 2020

Note (1,000 DKK)		2020	2019
	Interest expense	(3,654)	(1,646)
	Net interest income	(3,654)	(1,646)
	Fees and commission expense	(1)	(2)
	Net interest, fees and commissions	(3,655)	(1,648)
	Price and exchange rate adjustments	1,591	(281)
	Operating income	(2,064)	(1,929)
2	Staff costs and administrative expenses	(365)	(469)
	Other expenses	-	(4,477)
	Income from subsidiaries	304,307	(158,489)
	Profit before tax	301,878	(165,364)
3	Tax	534	531
	Net profit	302,412	(164,833)
	Net profit attributable to:		
	Equity method reserve	304,307	(158,489)
	Retained earnings	(1,894)	(6,344)
	Net profit	302,412	(164,833)

STATEMENT OF COMPREHENSIVE INCOME – GEELY FINANCIALS DENMARK A/S

1 JANUARY 2020 - 31 DECEMBER 2020

Note (1,000 DKK)	2020	2019
Net profit	302,412	(164,833)
Other comprehensive income		
Items that will not be reclassified subsequently to income statement:		
Other comprehensive income from subsidiaries, net of tax	658	(550)
Items that will not be reclassified subsequently to income statement	658	(550)
Items that are or may be reclassified subsequently to income statement:		
Other comprehensive income from subsidiaries, net of tax	(15,117)	8,706
Items that are or may be reclassified subsequently to income statement	(15,117)	8,706
Total other comprehensive income	(14,458)	8,156
Total comprehensive income	287,954	(156,677)
Total comprehensive income attributable to:		
Equity method reserve	289,849	(150,333)
Retained earnings	(1,894)	(6,344)
Total comprehensive income	287,954	(156,677)

STATEMENT OF FINANCIAL POSITION – GEELY FINANCIALS DENMARK A/S
AT 31 DECEMBER

Note	(1,000 DKK)	2020	2019
ASSETS			
4	Receivables from credit institutions and central banks	2,776	3,182
5	Investments in subsidiaries	4,565,159	4,274,613
	Intangible assets	1,478,588	1,478,588
	Tax receivables	70,494	62,471
	Deferred tax assets	-	531
	Other assets	84	-
	Total assets	6,117,101	5,819,385
LIABILITIES			
	Other liabilities	470,256	461,191
	Total liabilities	470,256	461,191
EQUITY			
6	Share capital	10,000	10,000
	Equity method reserve	508,062	217,517
	Retained earnings	5,128,783	5,130,677
	Total equity	5,646,845	5,358,194
	Total liabilities and equity	6,117,101	5,819,385

STATEMENT OF CHANGES IN EQUITY – GEELY FINANCIALS DENMARK A/S

AT 31 DECEMBER

(1,000 DKK)

	Share Capital	Equity method reserve	Retained earnings	Total
Equity at 1 January 2020	10,000	217,517	5,130,677	5,358,194
Net profit	-	304,307	(1,894)	302,413
Other comprehensive income				
Other comprehensive income from subsidiaries, net of tax	-	(14,458)	-	(14,458)
Total other comprehensive income	-	(14,458)	-	(14,458)
Total comprehensive income	-	289,849	(1,894)	287,954
Transactions with owners				
Other equity movements from subsidiaries	-	696	-	696
Equity at 31 December 2020	10,000	508,062	5,128,783	5,646,845

	Share Capital	Equity method reserve	Retained earnings	Total
Equity at 1 January 2019	10,000	381,670	5,137,022	5,528,692
Net profit	-	(158,489)	(6,344)	(164,833)
Other comprehensive income				
Other comprehensive income from subsidiaries, net of tax	-	8,156	-	8,156
Total other comprehensive income	-	8,156	-	8,156
Total comprehensive income	-	(150,333)	(6,344)	(156,677)
Transactions with owners				
Increase in share capital	-	-	-	-
Other equity movements from subsidiaries	-	(13,820)	-	(13,820)
Equity at 31 December 2019	10,000	217,517	5,130,677	5,358,194

STATEMENT OF TOTAL CAPITAL – GEELY FINANCIALS DENMARK A/S

AT 31 DECEMBER

(1,000 DKK)

	2020	2019
Tier 1 capital		
Total equity 31 December excluding net profit	5,344,433	5,358,194
Net profit	302,412	-
Intangible assets	(1,478,588)	(1,478,588)
Deferred tax liabilities	-	(531)
Common equity tier 1 capital (net after deduction)	4,168,257	3,879,075
Total tier 1 capital	4,168,257	3,879,075
Total capital	4,168,257	3,879,075
Risk exposure amounts		
Credit risk	4,565,782	4,275,251
Market risk	-	-
Operational risk	659,420	710,428
Total risk exposure amounts	5,225,202	4,985,679
Common equity tier 1 ratio	79.8%	77.8%
Tier 1 capital ratio	79.8%	77.8%
Total capital ratio	79.8%	77.8%

Total capital is calculated in accordance with CRR.

NOTES – GEELY FINANCIALS DENMARK A/S

Note (1,000 DKK)

1 Accounting policies

The financial statements of Geely Financials Denmark A/S have been prepared in accordance with the Danish Financial Business Act and the Danish executive order on financial reports for credit institutions and investment companies, etc. The accounting policies for Geely Financials Denmark A/S are the same as for the Geely Financials Denmark Group, note 1 to the consolidated financial statements, with the exception of the items below.

Investments in subsidiaries

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

Equity method reserve

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

2 Staff costs and administrative expenses

	2020	2019
Administrative expenses	(365)	(469)
Total staff costs and administrative expenses	(365)	(469)

Besides the managing director the Company has no employees.

Remuneration to Board of Directors and the Board of Management are disclosed in note 7 in the consolidated financial statements.

3 Tax

Reconciliation of effective tax rate

Profit before tax	301,878	(165,364)
Tax using the Danish tax rate 22%	(66,413)	36,380
Non tax-deductible expenses	-	(982)
Effect of tax on income from subsidiaries	66,949	(34,867)
Total income tax income recognised in income statement	534	531
Effective tax rate	0.2%	0.3%

4 Receivables from credit institutions and central banks

Demand deposits	2,776	3,182
Total receivables from credit institutions and central banks	2,776	3,182

NOTES – GEELY FINANCIALS DENMARK A/S

Note (1,000 DKK)

5 Acquisition of businesses

Geely Financials Denmark A/S has goodwill DKK 1.479 million (2019: DKK 1.479 million) related to the acquisition of Saxo Bank in 2018. No impairment on goodwill has been recognised in 2020 and 2019.

6 Equity

As at 31 December 2020, the share capital consisted of 10,000,000 (2019: 10,000,000) number of shares with a nominal value of DKK 1.

7 Contingent and other contractual commitments

Geely Financials Denmark A/S is the administration company in a Danish joint taxation. Geely Financials Denmark A/S is taxed jointly with all Danish entities in the Danish taxation and is jointly and severally liable with these for the payments of the Danish corporate tax and withholding taxes etc.

8 Related parties

Geely Group Limited has controlling influence in Geely Financials Denmark A/S through existing voting rights and option to acquire further voting rights.

At 31 December 2020, the following shareholders are registered as holders of more than 5% of the share capital of Geely Financials Denmark A/S:

Geely Group Limited, VG1110, British Virgin Islands
Geely Financials International Limited, 89 Queensway, Hong Kong

No consolidated financial statements are prepared above Geely Financials Denmark A/S

(DKK million)	Board of Directors		Board of Management		Parties with significant influence		Subsidiaries	
	2020	2019	2020	2019	2020	2019	2020	2019
Other liabilities	-	-	-	-	-	-	0	0
Loans (liabilities)	-	-	-	-	401	398	-	-
Interest (expense)	-	-	-	-	0	4	-	-
Service agreement (expense)	-	-	-	-	-	-	0	0
Capital increase	-	-	-	-	-	-	-	396

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

The loans are granted from Geely Financials International Limited to Geely Financials Denmark A/S and consists of 2 loans: EUR 52.0 million and EUR 1.0 million. The intercompany loan between Geely Financials International Limited and Geely Financials Denmark A/S will not be called for repayment until sometime in 2022 at the earliest unless alternative financing has been arranged.

9 Risk management

The Company is exposed to credit risk on receivables from credit institutions and central banks. The risk exposure is the same as for the Group and is described in note 29 Risk management in the consolidated financial statement.

STATEMENTS AND REPORTS

STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management have considered and approved the Annual Report for the financial year 1 January 2020 – 31 December 2020 for Geely Financials Denmark A/S.

The consolidated financial statements and the parent company's financial statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 2020.

Moreover, in our opinion, the Management Report include a fair review of developments in the Group's and the Parent Company's operations and financial position (page 5-11) and describe the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The 2020 Annual Report is submitted for the approval of the Annual General Meeting.

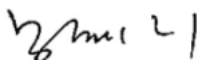
Copenhagen, 6th April 2021

BOARD OF MANAGEMENT



Yi lan Zhang
Managing Director

BOARD OF DIRECTORS



Daniel Donghui Li
Chairman



Hans Olov Sören Olsson



Yi lan Zhang

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Geely Financials Denmark A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Geely Financials Denmark A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020, and of the results of their operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 the 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 these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.


Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.


Copenhagen, 6th April 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Anders Oldau Gjelstrup
State-Authorised Public Accountant
MNE no mne10777



Jens Ringbæk
State-Authorised Public Accountant
MNE no mne27735