2019

Annual Report

Financial Report
Corporate Governance Report
Remuneration Report

Swissquote

Annual Report 2019
Content

The Swiss leader in online banking
www.swissquote.com

Key figures

	2019	2018	2017	2016	2015
Number of accounts	359,612	329,100	309,286	302,775	231,327
% change	9.3%	6.4%	2.2%	30.9%	4.2%
Net new money in CHFbn	4.6	3.1	2.7	6.1	1.2
% change	46.3%	14.8%	–55.3%	394.5%	13.6%
Client assets in CHFm [1]	32,241	23,822	24,112	18,557	11,992
% change	35.3%	–1.2%	29.9%	54.7%	3.7%
Employees	722	662	593	550	524
% change	9.1%	11.6%	7.8%	5.0%	–1.5%

[1] Including assets that are not held for custody purposes, but for which the technology of the Group gives clients access to the stock market and/or that are managed by Swissquote.

in CHF thousand, except where indicated	2019	2018	2017	2016	2015
Operating income [1]	230,641	214,524	187,756	150,245	146,622
% change	7.5%	14.3%	25.0%	2.5%	0.8%
Operating expenses	180,052	160,763	141,974	127,035	144,684
% change	12.0%	13.2%	11.8%	–12.2%	23.3%
Operating profit	50,588	53,761	45,782	23,210	1,938
% change	–5.9%	17.4%	97.3%	1097.6%	–93.1%
Operating profit margin [%]	21.9%	25.1%	24.4%	15.4%	1.3%
Net profit	44,654	44,603	39,185	20,753	2,075
% change	0.1%	13.8%	88.8%	900.1%	–91.2%
Net profit margin [%]	19.4%	20.8%	20.9%	13.8%	1.4%
Total equity	374,757	352,221	295,148	280,834	267,670
% change	6.4%	19.3%	5.1%	4.9%	–2.4%
Capital ratio (%)	21.7%	29.0%	26.1%	24.5%	22.0%

[1] Including credit loss expense since 2018.

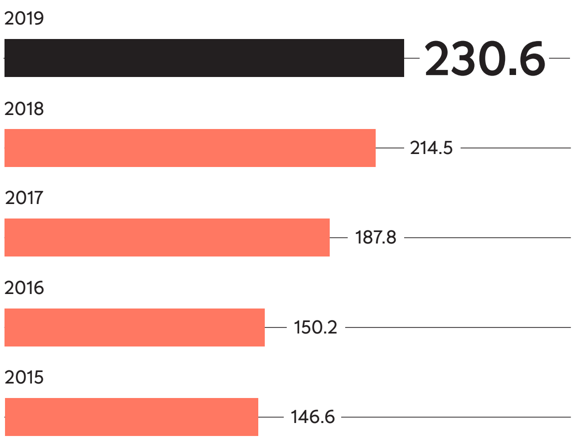
21.9%
Operating profit margin

48.52 CHF
Swissquote stock price as at 31 December 2019

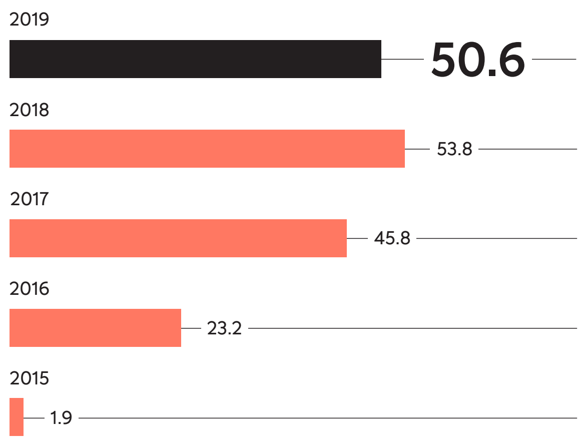
21.7%
Capital ratio

Key figures

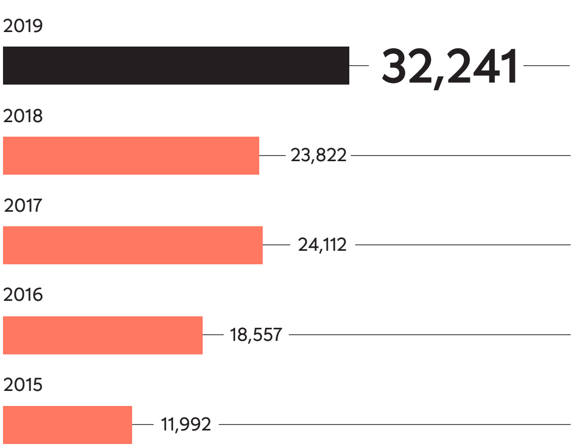
Operating income (including credit loss expense)
in CHFm



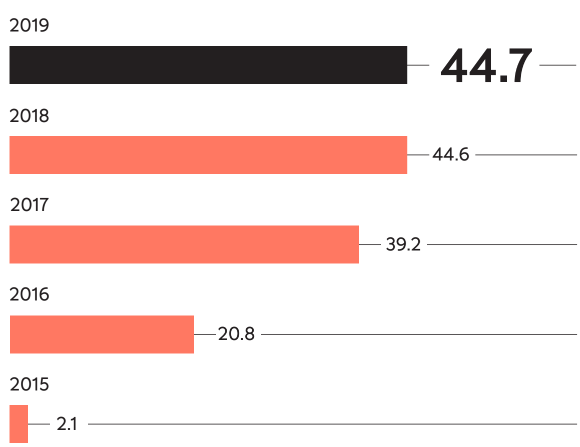
Operating profit
in CHFm



Client assets
in CHFm



Net profit
in CHFm



230.6m CHF
Operating income (including credit loss expense)

4.6bn CHF
Net new money inflow

32.2bn CHF
Client assets

Swissquote share

Stock market trading

The registered shares, each with a nominal value of CHF 0.20, are listed on SIX Swiss Exchange under securities number 1067586 and ISIN CH0010675863. Their ticker symbols are: SQN (Swissquote); SQZ.S (Reuters); SQNSW (Bloomberg); SQN (Telekurs).

Development of stock market share price 2015–2019

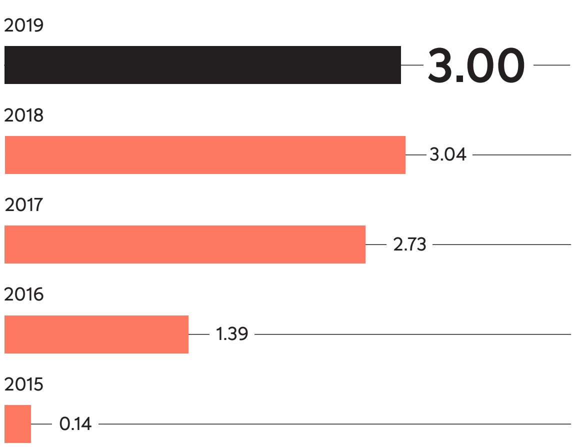
Development of stock market share price January to December 2019

Swissquote share

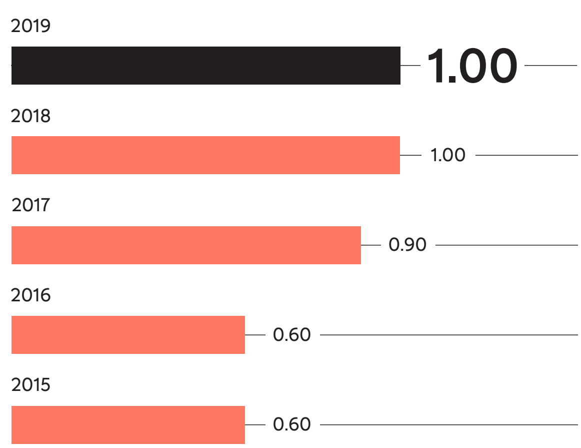
	2019	2018	2017	2016	2015
Share price in CHF					
High	53.50	75.80	38.55	28.90	32.00
Low	34.25	38.20	23.30	21.50	20.55
31 December	48.52	45.25	38.15	23.85	25.25
Market capitalisation in CHF million					
High	820.1	1,161.9	590.9	443.0	490.5
Low	525.0	585.5	357.1	329.6	315.0
31 December	743.7	693.6	584.8	365.6	387.0
Share data in CHF					
Operating income [1] per share	15.52	14.64	13.09	10.09	9.83
Earnings per share	3.00	3.04	2.73	1.39	0.14
Equity per share	24.45	22.98	19.26	18.32	17.46
Dividend per share	1.00 [2]	1.00	0.86	0.13	–
Other payout per share	–	–	0.04	0.47	0.60

[1] Including credit loss expense since 2018.
[2] Proposal of the Board of Directors.

Earnings per share
in CHF



Payout per share
in CHF



Our vision

«We want to be the world's most pioneering and intuitive online bank. Therefore, we challenge convention via innovation and technology.»

Swissquote in a nutshell

- → Reputable brand
- → Well capitalised
- → Strongly regulated
- → Multiple growth opportunities
- → Listed since 2000 on Swiss Stock Exchange SIX
- → Unique one-stop shop positioning for private clients and institutional partners
- → Pioneers in Robo-Advisory services and cryptocurrencies
- → Technology powerhouse
- → Leading cross-assets platform
- → Swiss digital banking Group with Swiss roots and growing international operations

Swissquote trading platform

Member
SIX & EUREX

+60
Stock exchanges

Real time
www.swissquote.ch

50 000
Bonds

20 000
Investment funds

+80 000
Structured products

+64
Themes trading

+75
Currency pairs

+10
CFD stock indices

+5
Cryptocurrencies & tokens

Online
eMortgages

Swissquote services

- Multicurrency account
- Custodian services
- Services to asset managers
- White-label services
- Robo-Advisory services
- Lombard and margin loans
- Multicurrency credit card
- Crypto services

Report to the shareholders

Dear shareholders,

Swissquote can look back on a strong year. Operating income recorded a year-on-year rise of 7.5 percent to CHF 230.6 million. At CHF 44.7 million, net profit was higher than in the previous year – and surpassed expectations – despite significantly higher personnel expenses and depreciation. Thanks to a net new money inflow of CHF 4.6 billion, client assets rose to a record CHF 32.2 billion.

Revenues set new record

At CHF 239.9 million, **operating revenues**[1] reached their highest level ever, recording a year-on-year rise of 6.4 percent (previous year: CHF 225.4 million). When adjusted for negative interest rates (-CHF 9.5 million) and fair value adjustments (+CHF 0.3 million), **operating income**[2] amounted to CHF 230.6 million, 7.5 percent up on the previous year (CHF 214.5 million).

Despite a positive market environment and more than 30,000 new client accounts, **net fee & commission income** declined by 6.6 percent to CHF 92.9 million (CHF 99.5 million), as trading volumes decreased overall from 3.0 million to 2.8 million transactions. The cryptocurrency business contributed CHF 6.3 million (CHF 9.8 million) to fee & commission income.

Net eForex income rose by 19.0 percent to CHF 85.5 million (CHF 71.8 million). Thanks to substantial investment in the improvement of system efficiency, revenues were up by 19.0 percent while trading volumes rose by just 3.2 percent to USD 1,218 billion (USD 1,180 billion).

Net interest income[3] increased by 20.7 percent to CHF 40.1 million (CHF 33.2 million). Key drivers of this development included the monetary policy of central banks and the adjustment of the company's own negative interest policy. Swissquote now imposes negative interest rates on cash amounts of more than CHF/EUR 500,000, although a proportion of this charge is reimbursed to clients in the form of trading credits.

Net trading income (currency trading excluding eForex) recorded a slight rise of 2.3 percent to CHF 21.4 million (CHF 20.9 million).

Operating expenses in line with expectations

At CHF 180.1 million (CHF 160.8 million), **operating expenses** were 12.0 percent higher than the previous year. This increase is above all attributable to higher personnel expenses (+CHF 11.0 million), which rose primarily as a result of the integration of Internaxx Bank S.A. and an increase in depreciation (+CHF 5.0 million). Total headcount was up by 60 employees (36 at Internaxx) to 722.

Net profit exceeds expectations

The rise in expenses brought about a 5.9 percent decrease in **operating profit** to CHF 50.6 million (CHF 53.8 million) and resulted in an operating profit margin of 21.9 percent (25.1 percent). Contrary to expectations, the **net profit** figure of CHF 44.7 million slightly surpassed the prior-year figure (CHF 44.6 million). A positive factor here was the implementation of new corporate tax regime in Canton of Vaud. The net profit margin amounted to 19.4 percent (20.8 percent).

Solid capital base

The Basel III **capital ratio** remains at a high 21.7 percent (29.0 percent) even after the purchase of Internaxx. Swissquote therefore remains one of Switzerland's best-financed banks. **Total equity** increased by 6.4 percent to CHF 374.8 million (CHF 352.2 million).

Client assets surge by more than a third

Half of the high **net new money inflow** of CHF 4.558 billion (CHF 3.115 billion) relates to organic growth, while the other half derives from the integration of the accounts of Internaxx. A combination of this high net new money inflow and general stock market developments in 2019 saw **client assets** rise by 35.3 percent to CHF 32.2 billion (CHF 23.8 billion). As at the end of December 2019, clients held assets of CHF 31.3 billion (+36.3 percent) in trading accounts, CHF 265.5 million (-13.3 percent) in saving accounts, CHF 231.9 million (+21.0 percent) in Robo-Advisory accounts and CHF 447.0 million (+22.4 percent) in eForex accounts.

[1] Operating revenues exclude cost of negative interest rates (-CHF 9.5 million) and unrealised fair value impact (CHF 0.3 million).
[2] Including credit loss expense.
[3] Excluding cost of negative interest rates.

Report to the shareholders

The **total number of accounts** grew by 30,512 (+9.3 percent) to a record 359,612. The breakdown of accounts is as follows: 281,814 trading accounts (+9.8 percent), 19,717 saving accounts (-9.7 percent), 3,362 Robo-Advisory accounts (+23.1 percent) and 54,719 eForex accounts (+14.1 percent).

Successful expansion in Europe and Asia

In 2019, Swissquote reached two important milestones in the implementation of its long-term growth strategy. On the one hand, it completed the takeover of the Luxembourg-based Internaxx Bank. This institution is being fully integrated into Swissquote Group under the name **Swissquote Bank Europe SA**. The focus of its activities lies on European private clients. Its revenues from ordinary business activities have been consolidated in the Swissquote figures from April onwards – these amounted to CHF 10.0 million for these nine months. In addition, the Monetary Authority of Singapore (MAS) issued a Capital Market Service License (CMSL) to the subsidiary **Swissquote Pte. Ltd**, which was founded in Singapore the previous year. The first asset managers and institutional clients have already been acquired.

New asset categories for Robo-Advisory

In August, Swissquote expanded its Robo-Advisory offering to include the asset categories of cryptocurrencies and real estate. The Robo-Advisor invests in multi-asset strategies. The offering, which started with equities, fixed income instruments and commodities, now also extends to investments in cryptocurrencies and real estate. The new real estate category comprises ETFs and investment funds that focus on this asset category either directly or via listed companies.

New issuer on Swiss DOTS

In November, Swissquote announced that it would be further expanding its offering on the OTC trading platform Swiss DOTS. The new issuer, BNP Paribas, will be adding some 10,000 leveraged products to the existing offerings of the two founding partners, UBS and Goldman Sachs, and those of Commerzbank and Bank Vontobel. By contrast, Deutsche Bank removed its offering from Swiss DOTS as per the end of 2019.

Distribution of profit to shareholders

In view of the very robust development of business, the Board of Directors is proposing that the Annual General Meeting of Swissquote Group Holding Ltd on 5 May 2020 distributes an unchanged dividend of CHF 1.00 per share to shareholders.

Thanks

On behalf of the Board of Directors and Executive Management, we would like to thank our clients, who, by actively using our platform and providing a wide spectrum of informed feedback, are making a key contribution to Swissquote's success and therefore its long-term security, solidity, and growth. We attach great importance to their suggestions and requests as well as their criticism, all of which help to drive us forward. We would also like to thank our shareholders for the trust they have placed in our company, and all our employees for their personal commitment and willingness to achieve the exceptional, time and again. And finally, we also owe a debt of gratitude to our cooperation partners for their unfailing expertise and support in helping us to grow our business.

Markus Dennler
Chairman of the Board
of Directors

Marc Bürki
Chief Executive Officer

Financial Report 2019
Content

Consolidated financial statements

Consolidated statement of financial positions

in CHF	Notes	31 December 2019	31 December 2018
Assets			
Cash and balances with central banks	1	2,871,118,650	3,612,172,487
Treasury bills and other eligible bills	1	439,206,719	346,119,999
Due from banks	1/4	2,159,429,953	657,388,308
Derivative financial instruments	2	97,759,018	57,469,850
Trading assets	3	5,949,451	2,791,490
Loans	4	338,672,203	271,188,031
Investment securities	5	334,936,276	318,298,080
Deferred income tax assets	12	3,466,758	1,610,155
Intangible assets	6	45,727,825	40,111,469
Information technology systems	7	55,690,924	51,431,690
Property, plant and equipment	8	70,455,998	59,034,567
Other assets	9	50,294,283	31,872,115
Total assets		**6,472,708,058**	**5,449,488,241**
Liabilities and equity			
Liabilities			
Deposits from banks	1	129,920,394	209,204,815
Derivative financial instruments	2	58,940,824	35,752,201
Due to customers	10	5,813,524,509	4,782,694,956
Other liabilities	11	86,124,178	59,272,495
Current income tax liabilities	12	2,913,765	4,802,642
Deferred tax liabilities	12	937,160	940,070
Provisions	13	5,589,838	4,600,527
Total liabilities		**6,097,950,668**	**5,097,267,706**
Equity			
Ordinary shares	15.1	3,065,634	3,065,634
Share premium		52,399,616	51,630,459
Share option reserve	15.2	2,134,630	1,265,122
Other reserve	15.3	(13,668,548)	(6,487,147)
Treasury shares	15.4	(18,787,665)	(16,723,797)
Retained earnings	15.5	349,613,723	319,470,264
Total equity		**374,757,390**	**352,220,535**
Total liabilities and equity		**6,472,708,058**	**5,449,488,241**

The notes on pages 18 to 107 are an integral part of these financial statements.

Consolidated income statement

in CHF	Notes	2019	2018
Fee and commission income	16	102,757,460	110,014,177
Fee and commission expense	16	(9,842,438)	(10,500,492)
Net fee and commission income		**92,915,022**	**99,513,685**
Interest income	17	21,476,259	14,005,935
Interest expense (incl. negative interest on assets)	17	(30,210,148)	(25,748,526)
Other interest income	17	39,714,064	36,233,674
Other interest expense	17	(433,696)	(319,661)
Net interest income		**30,546,479**	**24,171,422**
Net trading income	18	**108,893,207**	**99,355,508**
Operating income		**232,354,708**	**223,040,615**
Credit loss expense	19	(1,714,201)	(8,516,652)
Operating expenses	20	(180,052,239)	(160,762,973)
Operating profit		**50,588,268**	**53,760,990**
Income tax expense	12	(5,934,623)	(9,157,758)
Net profit		**44,653,645**	**44,603,232**
Share information			
Earnings per share	21	3.00	3.04
Diluted earnings per share	21	2.99	3.02
Weighted average number of shares	21	14,865,039	14,654,341

The notes on pages 18 to 107 are an integral part of these financial statements.

Consolidated statement of comprehensive income

in CHF	Notes	2019	2018
Net profit		**44,653,645**	**44,603,232**
Other comprehensive income: Gains/(losses) recognised directly in equity			
Items that may be reclassified to the income statement			
Investment securities measured at fair value through other comprehensive income (FVOCI):			
Net unrealised gains/(losses)		25,544	(911,880)
Net realised gains/(losses) reclassified to the income statement from equity	18	(16,653)	(58,622)
Income tax effect		(1,244)	135,871
Currency translation differences	15.3	(1,285,578)	(397,178)
Total other comprehensive income that may be reclassified to the income statement		**(1,277,931)**	**(1,231,809)**
Items that will not be reclassified to the income statement			
Investment securities measured at fair value through other comprehensive income (FVOCI equities):			
Net unrealised gains/(losses)		18,500	10,175
Income tax effect		(2,590)	(1,425)
Defined benefit obligation:			
Remeasurement	14b	(6,883,000)	(2,567,000)
Income tax effect		963,620	359,380
Total other comprehensive income that will not be reclassified to the income statement		**(5,903,470)**	**(2,198,870)**
Other comprehensive income for the period (net of tax)		**(7,181,401)**	**(3,430,679)**
Total comprehensive income for the period		**37,472,244**	**41,172,553**

The notes on pages 18 to 107 are an integral part of these financial statements.

Consolidated statement of changes in equity

in CHF	Notes	Ordinary shares	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance as at 1 January 2019		**3,065,634**	**51,630,459**	**1,265,122**	**(6,487,147)**	**(16,723,797)**	**319,470,264**	**352,220,535**
Net profit of the period		–	–	–	–	–	44,653,645	44,653,645
Investment securities FVOCI & FVOCI equities	5/18	–	–	–	27,391	–	–	27,391
Remeasurement of defined benefit obligation	14b	–	–	–	(6,883,000)	–	–	(6,883,000)
Income tax effect (aggregated)		–	–	–	959,786	–	–	959,786
Currency translation differences	15.3	–	–	–	(1,285,578)	–	–	(1,285,578)
Total comprehensive income for the period		–	–	–	**(7,181,401)**	–	**44,653,645**	**37,472,244**
Dividend	15.5	–	–	–	–	–	(14,859,653)	(14,859,653)
Employee stock option plan:								
Amortisation of services	15.2	–	–	1,218,975	–	–	–	1,218,975
Stock options exercised, lapsed or forfeited	15.2	–	–	(349,467)	–	–	349,467	–
Treasury shares:								
Purchase	15.4	–	–	–	–	(4,128,568)	–	(4,128,568)
Sale/remittance	15.4	–	769,157	–	–	2,064,700	–	2,833,857
Balance as at 31 December 2019		**3,065,634**	**52,399,616**	**2,134,630**	**(13,668,548)**	**(18,787,665)**	**349,613,723**	**374,757,390**

The notes on pages 18 to 107 are an integral part of these financial statements.

Consolidated statement of changes in equity (continued)

in CHF	Notes	Ordinary shares	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total
Balance as at 1 January 2018		**3,065,634**	**35,299,313**	**1,482,727**	**(2,375,800)**	**(29,318,059)**	**286,994,485**	**295,148,300**
Initial application of IFRS 9		–	–	–	461,029	–	(852,566)	(391,537)
Changes in accounting policies	8	–	–	–	(1,141,697)	–	–	(1,141,697)
Restated balance as at 1 January 2018		**3,065,634**	**35,299,313**	**1,482,727**	**(3,056,468)**	**(29,318,059)**	**286,141,919**	**293,615,066**
Net profit of the period		–	–	–	–	–	44,603,232	44,603,232
Investment securities FVOCI & FVOCI equities	5/18	–	–	–	(960,327)	–	–	(960,327)
Remeasurement of defined benefit obligation	14b	–	–	–	(2,567,000)	–	–	(2,567,000)
Income tax effect (aggregated)		–	–	–	493,826	–	–	493,826
Currency translation differences	15.3	–	–	–	(397,178)	–	–	(397,178)
Other comprehensive income for the period		**–**	**–**	**–**	**(3,430,679)**	**–**	**44,603,232**	**41,172,553**
Dividend and reimbursement from reserves	15.5	–	(581,580)	–	–	–	(12,503,964)	(13,085,544)
Employee stock option plan:								
Amortisation of services	15.2	–	–	1,011,472	–	–	–	1,011,472
Stock options exercised, lapsed or forfeited	15.2	–	–	(1,229,077)	–	–	1,229,077	–
Treasury shares:								
Purchase	15.4	–	–	–	–	(8,810,991)	–	(8,810,991)
Sale/remittance	15.4	–	16,912,726	–	–	21,405,253	–	38,317,979
Balance as at 31 December 2018		**3,065,634**	**51,630,459**	**1,265,122**	**(6,487,147)**	**(16,723,797)**	**319,470,264**	**352,220,535**

The notes on pages 18 to 107 are an integral part of these financial statements.

Consolidated statement of cash flows

in CHF	Notes	2019	2018
Cash flow from/(used in) operating activities:			
Fee and commission received		103,251,194	110,575,518
Fee and commission paid		(10,358,618)	(10,901,083)
Interest received		63,030,189	54,725,452
Interest paid		(31,284,330)	(26,212,789)
Net trading income received		107,041,655	100,590,277
Income tax paid		(7,253,308)	(10,290,543)
Payments to employees		(86,158,236)	(64,708,501)
Payments to suppliers		(59,249,995)	(59,109,928)
Cash flow from operating profit before changes in operating assets and liabilities		**79,018,551**	**94,668,403**
Net change in operating assets and liabilities:			
Treasury bills and other eligible bills (above 3 months)		(11,311,238)	(112,367,607)
Due from banks (above 3 months)		(212,992,132)	(46,601,475)
Derivative financial instruments (assets)		(40,289,168)	14,920,850
Trading assets		(3,610,659)	3,730,878
Loans		(45,514,960)	(2,580,629)
Derivative financial instruments (liabilities)		23,188,623	11,641,024
Due to customers		564,869,026	200,647,826
Other liabilities		(4,137,003)	–
Net cash from operating activities		**349,221,040**	**164,059,270**
Cash flow from/(used in) investing activities:			
Purchase of property, plant and equipment and information technology systems	7/8	(26,320,958)	(26,190,704)
Proceeds from sale and reimbursement of investment securities		139,035,189	227,077,228
Purchase of investment securities		(158,645,594)	(165,450,749)
Purchase of subsidiary, net of cash acquired	6	273,394,646	–
Net cash from investing activities		**227,463,283**	**35,435,775**
Cash flow from/(used in) financing activities:			
Repayment of lease liabilities		(2,059,281)	–
Purchase of treasury shares		(4,128,568)	(8,810,991)
Sale of treasury shares		2,389,231	37,504,289
Dividend and reimbursement from reserves	15.5	(14,859,653)	(13,085,544)
Net cash from/(used in) financing activities		**(18,658,271)**	**15,607,754**
Net increase in cash and cash equivalents		**558,026,052**	**215,102,799**
Cash and cash equivalents as at 1 January	1	4,144,081,857	3,927,175,990
Exchange difference on cash and cash equivalents		(6,823,866)	1,803,068
Cash and cash equivalents as at 31 December [1]	1	**4,695,284,043**	**4,144,081,857**
Cash and cash equivalents:			
Cash and balances with central banks		2,871,118,650	3,612,172,487
Treasury bills and other eligible bills (less than 3 months)		221,412,253	139,598,023
Due from banks (less than 3 months)		1,732,673,534	601,516,162
Deposits from banks		(129,920,394)	(209,204,815)
Total as at 31 December [1]	1	**4,695,284,043**	**4,144,081,857**

[1] CHF 439.0 million and CHF 400.5 million of cash and cash equivalents were restricted as at 31 December 2019 and 31 December 2018, respectively (see Note 1).

The notes on pages 18 to 107 are an integral part of these financial statements.

Notes to the consolidated financial statements

Section I: General information

Swissquote Group Holding Ltd (the "Company") and its subsidiaries (together the "Group") provide a comprehensive suite of online financial services to a broad spectrum of customers, ranging from retail investors, affluent investors to professional and institutional customers. The Group operates in Switzerland through Swisssquote Bank Ltd (the "Bank") and globally under the Swissquote brand with offices located in United Arab Emirates (Dubai), Europe (United Kingdom, Luxembourg and Malta), Republic of China (Hong Kong) and Asia Pacific (Singapore).

The Group's headquarters are located in Gland (Canton of Vaud), Switzerland.

The Group employed 722 employees (full-time equivalent) at the end of December 2019 (31 December 2018: 662) and 359,612 customers were using the platforms and apps of Swissquote (31 December 2018: 329,100).

The parent company of the Group is Swissquote Group Holding Ltd, which is a limited liability company incorporated in Switzerland. The address of its registered office is: Chemin de la Crétaux 33, CH-1196 Gland. The shares of Swissquote Group Holding Ltd are listed on the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1067586 and the ISIN number is CH0010675863.

The issued share capital as at 31 December 2019 consisted of 15,328,170 ordinary shares of CHF 0.20 nominal value each (2018: 15,328,170 ordinary shares of CHF 0.20 nominal value). There is also a conditional capital and an authorised capital. Details are provided in Note 15.1.

According to the information available to the Group, the shareholders with an interest in the Group above 3% (including stock options) are as follows:

	2019			2018		
	Shares	Options	Total	Shares	Options	Total
Marc Bürki	12.32%	0.11%	**12.43%**	12.45%	0.10%	**12.55%**
Paolo Buzzi	12.22%	0.12%	**12.34%**	12.37%	0.10%	**12.47%**
PostFinance AG	5.00%	–	**5.00%**	5.00%	–	**5.00%**
Mario Fontana	4.41%	–	**4.41%**	4.41%	–	**4.41%**
Exane Derivatives SNC	3.02%	–	**3.02%**	–	–	–
Basellandschaftliche Kantonalbank	< 3%	–	**< 3%**	4.77%	–	**4.77%**
JPMorgan Chase & Co.	< 3%	–	**< 3%**	3.09%	–	**3.09%**
Treasury shares:						
Swissquote Group Holding Ltd (Note 15.4)			**3.06%**			**2.95%**

Except for the above-mentioned shareholders, no other shareholder registered in the share register or annouced to SIX Swiss Exchange owns 3% or more of the issued share capital as at 31 December 2019. All shares are freely tradable. SIX Swiss Exchange Regulations however provide that individual shareholdings exceeding 5% (save for, inter alia, certain investment funds) are deemed to be permanent investments and are to be excluded from the free float. In accordance with SIX Swiss Exchange Regulations, the free float as at 31 December 2019 is 70.46% (2018: 70.18%).

The consolidated financial statements were approved for publication by the Board of Directors on 16 March 2020.

Notes to the consolidated financial statements

Section II: Scope of operations of the Group and reportable segments

The current scope of operations is the result of a historic development of which key milestones are summarised as follows:

1996
- The Swissquote financial platform is founded. For the first time, private investors can access the real-time prices of all securities traded on the Swiss Stock Exchange for free.

2000
- Swissquote Group Holding Ltd is listed on the Swiss Stock Exchange (symbol: SQN);
- Swissquote Bank Ltd is granted a banking licence.

2001
- Online trading of investment funds;
- Access to the SIX Swiss Exchange (at the time SWX and Virt-X) and to the US NYSE, Nasdaq and AMEX stock exchanges.

2002-2007
- Market consolidation in Switzerland (eg. takeover of Consors (Switzerland) Ltd and Skandia Bank Switzerland).

2008
- A new Swissquote forex trading platform goes live;
- Swissquote launches savings accounts.

2010
- Launch of the Swissquote Magazine;
- New digital asset management service with Swissquote's Robo-Advisor;
- Takeover of ACM Advanced Currency Markets Ltd, one of the largest currency traders with subsidiaries in Dubai.

2011
- Swissquote and Basellandschaftliche Kantonalbank offer online mortgages.

2013
- Takeover of MIG Bank Ltd, one of the leading forex brokers worldwide with subsidiaries in London and Hong Kong;
- Swiss DOTS, a new OTC trading service for the derivative products.

2014
- Strategic partnership between Swissquote and PostFinance, the main white-label partner as of today.

2015
- Global partnership with Manchester United, one of the most popular football teams in the world.

2016
- First Swiss bank to launch an Apple TV application.

2017
- First online bank to offer trading on five cryptocurrencies: Bitcoin, Bitcoin Cash, Ether, Litecoin and Ripple;
- Launch of the first virtual-reality trading application.

2018
- Acquisition of Internaxx Bank S.A. in Luxembourg to have unrestricted access to the European market (closing in 2019);
- Launch of the multi-currency credit card allowing its holder to execute purchases in 12 currencies.

2019
- Creation of Swissquote Singapore Pte. Ltd approved by the Monetary Authority of Singapore (MAS). Nine additional stock exchanges in the Asia Pacific region made available online to our clients;
- New possibility for clients of transferring cryptocurrencies to and from a private external wallet.

Notes to the consolidated financial statements

Section II: Scope of operations of the Group and reportable segments

As at 31 December 2019, the Group's operations consisted of operating a digital online bank that accepts multi-currency deposits/withdrawals (including crypto assets) and that provides:

Securities trading services (including custody services) by means of tools to trade in real time a large palette of asset classes and access a set of investment, decision making, risk monitoring and margin lending services to:

- Private investors;
- Independent asset managers and professional investors;
- Investment funds and other institutional clients;
- Third-party financial institutions under white-label agreements.

Access to over-the-counter trading of leveraged foreign exchange and contract-for-differences (leveraged forex) to:

- Private investors;
- Money managers;
- Investment funds and other institutional clients;
- Third-party financial institutions under white-label agreements.

The Group is not involved in the following banking activities:

- Provide commercial lending, direct mortgages lending, retail borrowings, credit-related commitments such as guarantees and standby letters of credit;
- Provide trustee, corporate administration to third parties.

Notes to the consolidated financial statements

Section II: Scope of operations of the Group and reportable segments

Reportable segments

Sound management requires that relevant financial information is prepared in order for decision makers to define strategies and focus actions towards exploiting opportunities and/or countering adverse trends.

Relevant financial information generally requires business complexity to be broken down in various segments. Disclosure of relevant segmental information enables users of financial statements to evaluate the nature and the financial consequences of the business activities in which the Group is engaged and of the economic environment in which it operates.

IFRS 8 requires an entity to identify its operating segments and based thereon to determine its reportable segments, which may comprise one operating segment or an aggregation of operating segments, which meet certain quantitative thresholds set out in the standard. Operating segment is defined in IFRS 8 as a component of an entity that (1) engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, (2) whose operating results are regularly reviewed to take decisions about resources to be allocated and assess its performance, and (3) for which discrete financial information is available.

IFRS 8 requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters (the "Management Approach"). The adoption of the Management Approach results in the disclosure of information for segments in substantially the same manner as it is reported internally.

The "chief operating decision maker", who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Management.

The management information system of the Group is designed and constantly amended in order to reflect the development of the business model of the Group and hence to support the strategic and operating processes. The Group discloses its operating segments by the nature of the business activities as managed internally and presented to the Group Executive Management and the Board of Directors.

Historically, the Group acts as a leader in the online securities trading market in Switzerland and has progressively extended its activities by increasing the level of assistance to its customers (Robo-Advisory) and adding services such as Lombard loans and cryptocurrencies trading. In the securities trading segment, the Group provides securities trading services and related technology-based financial services to various types of customers.

Since 2010, the Group gained a critical mass in the leveraged forex segment (eForex) by both internal and external growth. In this segment, the Group offers to its clientele access to over-the-counter (OTC) foreign exchange markets through technology platforms. The Group primarily operates what is referred to as an agency model to execute client trades. The Group revenues are mainly generated by adding a markup to the price provided by the market.

Beyond the consolidated results, segment contribution is based on segment revenue less directly incurred costs. Indirect fixed costs which represent the largest portion of the operating costs are analysed in major cost centres as the Group employs a centralised operating model. This approach is considered best by the Group in order to achieve transparency and accountability.

As defined in IFRS 8, the reported operating segments meet the following quantitative thresholds: (1) its reported revenue is 10% or more of the combined revenue of all operating segments, (2) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, (3) its assets are 10% or more of the combined assets of all operating segments.

With due care to the above explanations, the Group has defined two operating segments and one cost centre:

- Securities trading;
- Leveraged forex (eForex);
- Platform and infrastructure operations, which are analysed in four operating perspectives: technology, operations, marketing and general & administrative (G&A).

Technology, operations, marketing and G&A do not qualify as reportable segments and thus have been aggregated in the cost centre platform and infrastructure operations. Technology, operations, marketing and G&A may include various types of expenses (such as payroll and production costs).

Notes to the consolidated financial statements

Section II: Scope of operations of the Group and reportable segments

Based thereon, the analysis of reportable segments and cost centre for 2019 and 2018 is as follows:

in CHFm	2019	2018
Operating income[1]	156.6	160.8
Direct operating expenses	(27.9)	(21.9)
Direct marketing expenses	(4.4)	(4.2)
Credit loss expense/recovery	0.2	(8.6)
Securities trading – direct contribution margin	**124.5**	**126.1**
Operating income	85.3	71.2
Direct operating expenses	(20.0)	(18.4)
Direct marketing expenses	(5.6)	(5.4)
Credit loss expense	(1.9)	0.1
Leveraged forex – direct contribution margin	**57.8**	**47.5**
Operating expenses – technology	(43.0)	(39.3)
Operating expenses – operations	(27.1)	(21.0)
Operating expenses – marketing	(17.6)	(16.8)
Operating expenses – G&A	(29.0)	(29.9)
Platform and infrastructure operations (cost centre)	**(116.7)**	**(107.0)**
Negative interest rate expense (excl. foreign exchange swaps)	(9.5)	(9.0)
Provisions	(5.5)	(3.8)
Operating profit	**50.6**	**53.8**
Income tax expense	(5.9)	(9.2)
Net profit	**44.7**	**44.6**

[1] Includes Net fee and commission income (2019: CHF 92.9 million, 2018: CHF 99.5 million).

As at 31 December 2019:
- No other location (that qualifies as booking centre) than Swissquote Bank Ltd in Switzerland represents more than 10% of revenues or total assets;
- The Group does not have any client representing more than 10% of its operating income.

Breakdown of assets and liabilities is as follows:

in CHFm	31 December 2019	31 December 2018
Assets		
Securities trading	5,648.9	4,791.5
Leveraged forex	666.9	531.4
Platform and infrastructure operations	156.9	126.6
Total assets	**6,472.7**	**5,449.5**
Liabilities		
Securities trading	(5,503.3)	(4,640.3)
Leveraged forex	(519.8)	(404.4)
Platform and infrastructure operations	(74.8)	(52.6)
Total liabilities	**(6,097.9)**	**(5,097.3)**
Total equity	**374.8**	**352.2**

Notes to the consolidated financial statements

Section III: Adoption of new and revised international financial reporting standards

The consolidated financial statements for the year 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS).

Additional information required by national regulations is included where appropriate.

A Standards, amendments and interpretations effective on or after 1 January 2019

The Group applied IFRS 16 for the first time. The nature and effect of the change arising from the adoption of these new accounting standards are described below.

Standards/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 16	Lease	1 January 2019

IFRS 16 "Lease"

From 1 January 2019, the Group has applied the accounting policies set by IFRS 16 for all leases. The new standard sets out the principles for the recognition, measurement, presentation and disclosures of the leases for both parties of a contract. The new accounting model introduced by IFRS 16 eliminates the classification of leases as either finance leases or operating leases. For all leases, the new standard introduces a single on-balance-sheet accounting. The Group has applied IFRS 16 using the modified retrospective approach as permitted by the standard. Under this approach, the comparative information is not restated but continues to be reported based on the accounting policies for leases that the Group had applied under IAS 17.

Under the new IFRS 16 accounting model, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured as the lease liability adjusted for any initial direct cost incurred by the lessee. This right-of-use is subsequently depreciated using the straight-line method over lease term. The lease liability is initially measured based on the present value of future lease payments using implicit lease rate or incremental borrowing rate (IBR) where not available. The lease liability is subsequently measured at amortised cost using the effective interest rate method. Where leases include extension or termination options, the Group assesses the likelihood of such options to be exercised. Only options that are reasonably certain to be exercised are taken into account for the lease calculation. In the statement of financial positions, the Group presents the lease liability within "Other liabilities" and the right-of-use assets within "Property, plant and equipment". The Group has elected not to recognise the right-of-use asset and lease liability for short term leases and/or low value assets (e.g. IT equipment when appropriate). The lease payments associated with those are recognised as an expense on a straight-line basis over lease term (total impact of exemptions applied during the period under review was less than CHF 0.3 million and was recorded in "operating expenses"). The Group also identifies non-lease components of the various contracts and accounts for them distinctly (e.g. utility charges and other shared services).

Impact on transition: As of 1 January 2019, the Group has only entered into lease agreements as a lessee. Upon initial adoption, total assets and liabilities increased by CHF 9.2 million with no impact on opening retained earnings due to the various practical expedients taken on transition.

Impact for the period under review: In the consolidated income statement, the interest expense of the lease liability (less than CHF 0.2 million) is presented separately from the depreciation charge (CHF 2.2 million) on the right-of-use asset. This increase in depreciation and amortisation is offset by a decrease in other operating expenses (where lease costs were previously booked under the former IAS 17).

Notes to the consolidated financial statements

Section III: Adoption of new and revised international financial reporting standards

A Standards, amendments and interpretations effective on or after 1 January 2019 (continued)
IFRS 16 "Lease" (continued)

The following table reconciles the operating lease commitments applying IAS 17 as at 31 December 2018 and the opening lease liability recognised as at 1 January 2019 in the statement of financial positions:

in CHF	
Total undiscounted operating lease commitments as of 31 December 2018	10,151,192
Other items	(721,730)
Total undiscounted lease payments	**9,429,462**
Discounted at average IBR of 0.85%	(260,300)
Lease liabilities recognised as at 1 January 2019	**9,169,162**
Lease liabilities recognised as at 31 December 2019	**12,710,529**

Other items comprise of short-term leases, low-value leases or options reasonably certain to be exercised.

The increase in lease liabilities during the year 2019 is mainly related to the integration of Internaxx Bank S.A. in the scope of consolidation. Reference is made to Note 6.

B Standards, amendments and interpretations issued, but not impacting the Group

The following standards, amendments and interpretations have been issued, but have not materially impacted the accounting period:

Standards/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
IAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

C Standards and interpretations issued, but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

D Early adoption of standards

The Group did not early adopt new or amended standards in 2019.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below:

A Basis of presentation

These consolidated financial statements are prepared in accordance with IFRS. The consolidated financial statements are prepared under the historical cost convention with the exception of financial assets measured at fair value through profit or loss or through other comprehensive income, derivative financial instruments and share-based payments measured at revalued amounts or fair values as explained in the accounting policies as well as precious metals (Other assets) measured at fair value less cost to sell.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Section V.

B Consolidation

B1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has the control. The Group controls an entity when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

B2 Acquisition

The acquisition method is used to account for the business combinations by the Group. The cost of an acquisition is measured at the fair value of the given assets, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

B3 List of consolidated subsidiaries

			Interest as at 31 December	
Subsidiaries	**Office/country**	**Status**	**2019**	**2018**
Swissquote Bank Ltd	Gland/Switzerland	Active	100%	100%
Swissquote Trade Ltd	Gland/Switzerland	Dormant	100%	100%
Swissquote MEA Ltd	Dubai/UAE	Active	100%	100%
Swissquote Financial Services (Malta) Ltd	Valletta/Malta	Active	100%	100%
Swissquote Ltd	London/UK	Active	100%	100%
Swissquote Asia Ltd	Hong Kong/China	Active	100%	100%
Internaxx Bank S.A.	Luxembourg/Luxembourg	Active	100%	–
Swissquote Pte. Ltd	Singapore/Singapore	Active	100%	–

During the period under review, the Group has further expanded its geographical footprint with the acquisition of Internaxx Bank S.A. in Europe and by founding Swissquote Pte. Ltd in Singapore. Internaxx Bank S.A. was renamed Swissquote Bank Europe SA during the first quarter 2020. Reference is made to Note 6.

C Foreign currency translation

C1 Functional and presentation currency

Items included in the financial statements of each of the consolidated subsidiaries are measured using the currency of the primary economic environment in which the consolidated subsidiary operates ("functional currency"). The consolidated financial statements are presented in CHF, which is the functional and presentation currency of Swissquote Group Holding Ltd and Swissquote Bank Ltd. Functional and presentation currencies of foreign subsidiaries are GBP, HKD, EUR, USD and SGD.

	2019		2018	
Foreign currency translation	Closing rates	Average rates	Closing rates	Average rates
AED	0.2635	0.2704	0.2676	0.2661
AUD	0.6792	0.6911	0.6923	0.7270
CAD	0.7453	0.7505	0.7200	0.7516
CNY	0.1390	0.1438	0.1431	0.1482
DKK	0.1453	0.1487	0.1508	0.1544
EUR	1.0856	1.1105	1.1261	1.1509
GBP	1.2821	1.2707	1.2534	1.2987
HKD	0.1242	0.1268	0.1255	0.1247
JPY	0.0089	0.0091	0.0090	0.0089
NOK	0.1103	0.1128	0.1136	0.1196
SEK	0.1034	0.1048	0.1109	0.1118
SGD	0.7195	0.7288	0.7211	0.7242
TRY	0.1626	0.1752	0.1854	0.2069
USD	0.9678	0.9930	0.9828	0.9774

Average rates that are disclosed in the table are the average of monthly closing rates and do not reflect the effective average rates of transactions.

C2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

C3 Group companies

The results and financial positions of all group entities (none of which has the currency in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated as follows:

- Assets and liabilities for each balance sheet item presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses of each income statement are translated at average exchange rates;
- All resulting foreign exchange differences are recognised in the statement of comprehensive income.

D Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group discloses its operating segments by the nature of the business activities as managed internally and presented to the Executive Management and Board of Directors. The set-up of the Group's operations (i.e. integrated online brokerage services and forex trading platforms) implies that the Group operates in two reported operating segments and one cost centre:

- Securities trading;
- Leveraged forex;
- Platform and infrastructure operations (cost centre).

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

E Offsetting financial instruments

The Group presents separately recognised financial assets and recognised financial liabilities at their gross amounts. The Group does not offset assets and liabilities unless required by IFRS.

F Financial assets

Classification

The Group classifies its financial assets in the following three measurement categories:

– Amortised cost;
– Fair value through other comprehensive income (FVOCI);
– Fair value through profit or loss (FVTPL).

The classification depends on the business models of the Group for managing the financial assets and the cash flow characteristics of the financial assets. The business model reflects how the Group manages the financial assets in order to generate cash flows. The Group reclassifies financial assets when and only when its business model for managing those assets changes. Such changes are expected to be infrequent.

Recognition, modification and derecognition

Regular way purchases and sales of financial assets are recognised on a trade date basis. Financial assets are derecognised when the contractual rights to receive cash flows have expired or when they are transferred. When modifications happen (change in contractual cash flows), the Group assesses whether the new terms are substantially different from the original terms.

Measurement

At initial recognition, the Group measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of a financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the income statement.

Debt instruments: Subsequent measurement of debt instruments depends on the business model for managing the asset and the cash flow characteristics of the asset. These are three measurement categories, into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interests (SPPI test), are measured at amortised cost using the effective interest rate method. These assets are subject to impairment. Any gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired.
– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the cash flows represent solely payments of principal and interest (SPPI test), are measured at FVOCI. Interest income, foreign exchange revaluation and impairment losses/reversals are recognised in the income statement and computed in the same manner as for amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to income statement.
– FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Changes in fair value are recognised in the income statement.

Equity instruments: Equity instruments are instruments that meet the definition of equity from the issuer's perspective. The Group subsequently measures all equity instruments at fair value. Equity instruments are classified into two categories:

– FVOCI: Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as net interest income when the right to receive payments is established. Equity instruments designated at FVOCI are not subject to impairment assessments.
– FVTPL: Include financial assets held for trading and changes in the fair value are recognised in the income statement.

All other financial assets are measured at FVTPL and consist of held for trading assets, assets mandatorily measured on a fair value basis and derivative financial instruments, except to the extent that they are designated in a hedging relationship (in which case the IAS 39 hedge accounting requirements continue to apply).

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

G Impairment of financial assets

The Group assesses the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI.

The impairment methodology applied depends on whether there has been a significant change in credit risk since initial recognition and is summarised as follows:

– A financial asset that is not credit-impaired is classified as "stage 1" on initial recognition and has its credit risk continuously monitored by the Group.
– If a significant change in credit risk (SICR) since initial recognition is identified, the financial asset is moved to "stage 2".
– If the financial asset is credit-impaired, the financial asset is then moved to "stage 3".

Financial assets in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Therefore, 12-month ECL are recognised since initial recognition. For financial assets with a remaining maturity of less than 12 months, ECL are determined for this shorter period.

Financial instruments in stage 2 or stage 3 have their ECL measured based on expected credit losses on a lifetime basis.

Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). All changes in expected credit losses (positive or negative remeasurement) are recognised in the income statement (Credit loss expense).

Significant increase of credit risk (SICR)

To determine whether the recognition of a 12-month ECL (stage 1) continues to be appropriate, it is assessed whether a SICR has occurred since initial recognition.

Risk indicators establishing whether there has been a significant increase of credit risk vary depending on the type of balance sheet item (as the nature of the borrower or the product type may differ) but as well on internal management methods and external data available. The Group considers quantitative and qualitative elements as well as backstop indicators when determining whether SICR has occured. For example:

– Treasury bills and other eligible bills, Due from banks and Investment securities: The Group considers as a backstop that exposures which have experienced a significant downgrade in external credit rating or significant widening of credit spreads undergo a significant increase of credit risk and hence become stage 2. Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for SICR and hence for transfer to stage 2.
– Loans: The loans provided to customers are mainly Lombard loans, which are collateralised by portfolios of securities. The value of the collateral is taken into account when calculating the ECL which minimises the probability that a stage 1 exposure needs to be transferred to stage 2. Lombard loans in stage 2 are loans which, according to the policy, are above closed-out trigger, but have been decided to be maintained by taking higher credit risk.

Default and credit impairment

The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as defaulted at the latest when material payments of interests, principal or fees are overdue for more than 90 days. Counterparties are as well classified as defaulted when bankruptcy, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met without recourse to collateral.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

H Derivative financial instruments and hedging activities

Derivative financial instruments include those held for trading purposes and those used for risk management purposes. Derivatives held for trading arise from proprietary trading activity and from customer-based activity. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group may designate certain derivatives as either:

– Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
– Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in Net interest income. Effective changes in fair value of currency futures are reflected in Net trading income. Any ineffectiveness is recorded in Net trading income.

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 used is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

b Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement (Net trading income).

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects income statement. The gain or loss relating to the effective portion of foreign exchange swaps and currency options are recorded in line with the hedged item in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

I Intangible assets

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life (15 years) and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships. Expected life is determined on a case-by-case basis on date of acquisition.

J Information technology systems

J1 Software third-party licences

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life.

J2 Proprietary software

Costs associated with maintaining computer software programs are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software under the item "Proprietary software". Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

Computer software internally generated by the Group is recognised as an asset if the cost of development is reliably measurable and an analysis shows that future benefits from using the software application exceed the cost. Cost is defined as development costs incurred to make each computer software application ready for use. The cost of development consists primarily of direct remuneration and other directly attributable development costs. Expenses incurred in the planning phase are not capitalised, but expensed when incurred.

J3 Hardware & telecom systems

Hardware and telecom systems are recorded at cost. Depreciation is calculated on the straight-line method to write off the cost of these assets to their residual values over their estimated useful life.

Assets	Depreciation method	
Software third-party licences	Straightline	3 to 10 years
Proprietary software	Straightline	2 to 5 years
Hardware & telecom systems	Straightline	Maximum 5 years

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

K Property, plant and equipment

K1 Land and building

Land and building is carried at historical cost less accumulated depreciation and provision for impairment where required. Land is not depreciated. Depreciation on building is calculated on a straight-line basis and based on the estimated useful life. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

K2 Right-of-use assets

Financial year ended 31 December 2019

Leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group. The assets and liabilities from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement (Interest expense) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability, any initial direct costs, any lease incentives received and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Financial year ended 31 December 2018

Leases were classified as either finance leases or operating leases. The total payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

K3 Leasehold improvements and equipments

Leasehold improvements and equipments are stated at cost less accumulated depreciation or any impairment losses. Expenditure incurred on maintenance and repairs is recognised in the income statement as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Depreciation is calculated as follows:

Assets	Depreciation method	
Land	Not depreciated	N.A.
Building	Straightline	Maximum 30 years
Right-of-use assets	Straightline	3 to 10 years [1]
Leasehold improvements	Straightline	5 to 10 years
Equipments	Straightline	5 to 10 years

[1] Or duration of the lease if shorter.

The residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date. The carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

L Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of the allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

M Due to customers

Due to customers only include items classified as liabilities at amortised cost.

N Financial liabilities

Financial liabilities are measured either at amortised cost or at fair value through profit or loss (FVTPL).

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

O Deferred income taxes

Deferred income taxes are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rate and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from the capitalisation of certain assets and related depreciation and amortisation as well as from remeasurement of defined benefit obligation.

Deferred tax related to fair value remeasurement of FVOCI investments, which is charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently (in case of sale) recognised in the income statement together with the deferred gain or loss.

Deferred tax assets relating to tax losses carried forward are, if any, recognised to the extent that taxable profits are expected to be generated in the future and will be offset by the tax losses carried forward.

P Pension obligations

As at 31 December 2019, the Group operates various post-employment schemes, including defined benefit and defined contribution pension plans (2018: same situation).

Switzerland (defined benefit plan)

With regard to operations located in Switzerland, the pension plan has been set up in accordance with the Swiss law. Consequently, it does not fulfil all of the conditions of a defined contribution pension plan according to IAS 19 and is therefore accounted for as a defined benefit plan.

The Group insures its staff with a collective foundation, which provides benefits on retirement or in the event of death and disability. The benefits provided by the plan are above the legal minimum (which is set out in Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans). These additional benefits can be reduced prospectively for active employees. The level of contributions to be paid by the employees and the relevant Group companies is determined in the plan's rules. The pension benefits are based on the contributions paid by the insured persons and the Group (individual savings accounts). As the supreme body of the collective foundation, the Board of Trustees is responsible for the general administration, for the drawing up of the rules and the regulations, for asset management supervision and for the relation with authorities. The administrative, accounting and actuarial management is entrusted to third-party services providers. Swiss pension plans must ensure that they can meet their obligations in all times. Measures to eliminate any potential shortfall must be based on a regulatory principle.

For IFRS purposes, pension obligations and expenses are determined according to the projected unit credit method when qualifying as defined benefit plans. The corresponding calculations are made by third-party actuaries on a periodical basis. The potential liability recognised in the statement of financial positions in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan's assets, together with adjustments for unrecognised past-service costs. The present value of the defined benefit obligation is determined by discounting the estimated future outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits are paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Foreign locations (defined contribution plan)

The foreign entities of the Group operate defined contribution pension schemes. The assets of the scheme are held separately from those of the entities in an independently administered fund. The amount charged to the income statement represents the contributions that have been paid to the scheme in respect of the accounting period.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

Q Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, if it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date. Where a provision is measured using cash flow estimates to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

R Share capital/transaction costs

Ordinary shares are classified as equity. Share premium includes any premium received on the issuing of new shares. Incremental costs directly attributable to the issue by Group entities of new shares or options (transaction costs) or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders.

S Employee Share and Option Plan (ESOP)

The equity-based compensation plan is called Employee Share and Option Plan (ESOP). The purpose of the plan is to furnish incentives to eligible employees of the Group to increase shareholder value by improving operations and profitability. Eligible employee shall mean any permanent employee of the Group who is employed by the Group at the date of grant and for a minimum of one full year of employment within the Group.

The Share Plan is made available to all eligible employees and to the members of the Board of Directors while the Option Plan is solely available to eligible employees (in particular members of the management). For the Share Plan, the Group has decided not to include any vesting condition. The fair value of the attributed shares is fully recognised as on expense at the date of grant.

For the Option Plan, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period (i.e. the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied). The total amount to be expensed is determined by reference to the fair value of the options granted (at grant date), excluding the impact of any non-market vesting conditions and the number of options anticipated to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. When shares are issued to employees exercising stock options, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When treasury shares are delivered to employees exercising the stock options, the proceeds received are credited to treasury shares (acquisition cost) and share premium.

T Treasury shares (equity)

When the Group purchases its own shares, the consideration paid is deducted from total equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

U Net fee and commission income

The Group provides its customers with a large range of services that represent its main revenue stream. Net fee and commission income can be splitted into two categories: (1) services rendered over time (custody fees) and (2) fees for services provided at a point in time (such as brokerage and related income), which constitute by far the largest portion.

Fee and commission income for services provided over time are generally recorded as a percentage of the average amount of relevant assets during the period when the service is rendered and is recognised in profit or loss as performance obligations are met.

Fee and commission income for services at a point in time are generally determined either as a fixed amount per transaction or as a percentage of the corresponding transaction volume. They are invoiced to the customer after the service has been rendered and recognised in profit or loss.

Notes to the consolidated financial statements

Section IV: Summary of significant accounting policies

V Net interest income

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost and debt instruments measured at FVOCI using the effective interest method. Interest income includes coupons earned on fixed-income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A foreign exchange swap is a simultaneous purchase and sale of identical amounts of one currency for another with two different value dates (normally spot to forward). The difference between the forward rate and the spot rate represents the interest differential between the two currencies at inception. The net economic return (interest margin) over the investment period is recognised in net interest income, as well as any subsequent changes in fair value that may occur. Nevertheless, the Group is required to present separately in the income statement interest revenues calculated using the effective interest rate method from other interest revenues.

W Net trading income

Net trading income is recognised on online foreign exchange transactions done by clients and also on foreign currency translation of monetary assets and liabilities denominated in other currencies than functional currency. Revenue rebates payable to introducing brokers, that are not themselves trading counterparties, are charged to the income statement when the associated revenue is recognised and are disclosed as a deduction from net trading income. Changes in fair value and gains and losses realised on disposal of financial assets designated at fair value through profit or loss are recognised in Net trading income.

X Off-balance sheet activities (including holdings in crypto assets)

Fiduciary activity: The Group commonly acts in a variety of arrangements as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of clients. These arrangements are subject to regulation (when applicable) as well as industry custom and practice. These assets are not included in the statement of financial positions because the contractual terms and economic substance do not meet the IFRS definition for the recognition of an asset and liability.

Holdings in crypto assets: The Group offers crypto assets trading and custody services to its clients. The Group holds all crypto assets credited to the client accounts solely as a nominee (fiduciary capacity) on behalf of its clients, which remain the legal and beneficial owner of such holdings. The Group itself has no claim to the crypto assets, as they are assets belonging to its clients. Segregation and compliance to segregation requirements are key elements in determining whether the holdings in crypto assets have to be recognised in the statement of financial positions or not. Currently, these requirements vary according to the type of crypto assets and depending on whether the Group deposits the holdings in crypto assets in a fiduciary capacity with a third-party custodian or whether the holdings in crypto assets are held directly by the Group. Nevertheless, regulation should continue to evolve. After a period of consultation, the Swiss Federal Council has adopted the dispatch on the amendments of various federal laws to further improve the legal framework for blockchain/distributed ledger technology and published in 2019 the draft bill of these amendments. The blockchain draft bill aims at reducing legal uncertainty and discussions in parliament are expected to start in 2020. The new provisions/laws could enter into effect in 2021 at the earliest.

Y Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity including: cash and balances with central banks, amounts due from other banks and other short-term highly liquid investments. Cash and balances with central banks comprise of deposits with Swiss National Bank and Banque centrale du Luxembourg which are available on demand. All receivables from central banks with a maturity over 90 days are presented under "Due from banks".

Z Comparatives

When required, comparative figures have been adjusted to conform to changes in presentation in the current year. The Group has applied IFRS 16 using the modified retrospective approach where comparative information is not restated. Reference is made to Section III A.

Notes to the consolidated financial statements

Section V: Critical accounting judgements and key sources of estimation uncertainty

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the application of these accounting standards requires the use of judgement, based on estimates and assumptions that may involve significant uncertainty at the time they are made. Using different assumptions could cause the reported results to differ as well as changes in the assumptions may have a significant impact on the financial statements in the period changes occur.

This section is included to assist the reader of the consolidated financial statements in understanding the uncertainty inherent in the estimates and assumptions used, but does not intend to suggest that other estimates and assumptions would be more appropriate.

As at 31 December 2019, the Group believes the assumptions that have been made are appropriate under the circumstances and that the consolidated financial statements are fairly presented in all material aspects.

In addition, the process of applying the Group's accounting policies may require the use of key assumptions concerning the future, and/or other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year. Key assumptions are discussed below.

A Impairment test in respect of goodwill

As at 31 December 2019, the carrying amount of goodwill amounted CHF 44.8 million (2018: 39.0 million).

Under IFRS Standards, goodwill is not amortised, but is reviewed for potential impairment on an annual basis or when indicators of impairment exist. The Group tests annually whether goodwill has suffered any impairment.

The impairment test is performed for each segment for which goodwill is allocated and compares the recoverable amount (based on its value in use) to the carrying amount of the goodwill. An impairment charge is recognised if the carrying amount exceeds the recoverable amount. The impairment test is based on assumptions (see Note 6).

The recoverable amounts are determined using a discounted cash flow (DCF) model or a dividend discount model (DDM), which incorporates assumptions (such as growth rate and the amount and timing of expected future cash flows for example) relevant to the banking business and its regulatory environment. The recoverable amount is the sum of the discounted earnings from the forecasted years and the terminal value. The terminal value, reflecting all periods beyond the forecasted years, is calculated on the basis of the last forecasted year earnings.

Valuation parameters used for the impairment test model are linked to external market information, where applicable (see Note 6). The discount rate is determined by applying a capital-asset-pricing model-based approach, as well as considering quantitative and qualitative inputs. Key assumptions used to determine the recoverable amounts are tested for sensitivity by applying a reasonably possible change to those assumptions.

Goodwill is allocated to cash-generating units for purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination, identified according to business segment.

Circumstances that could trigger an impairment test include (but are not limited to): a significant adverse change in business climate or legal factor, an adverse action or assessment by a regulator, additional regulatory or legislative changes, unanticipated competition and loss of key personnel.

If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of the goodwill may become impaired in the future, giving rise to losses in the income statement. Recognition of any impairment of goodwill would reduce IFRS equity and net profit. It would not impact cash flows nor regulatory capital ratios, as goodwill is required to be deducted from eligible capital under Basel III framework.

Notes to the consolidated financial statements

Section V: Critical accounting judgements and key sources of estimation uncertainty

B Employee benefits

As at 31 December 2019, the defined benefit obligation amounted to CHF 67.6 million (2018: CHF 50.4 million) which resulted in a net liability of CHF 18.3 million (2018: CHF 10.7 million) after deduction of the fair value of plan's assets.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations (see Note 14).

The assumptions used in determining the net cost (or income) for pension include the discount rate. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated cash outflows expected to be required to settle the pension obligations. In determining appropriate discount rate, the Group considers the interest rates of high-quality maturity approximating the terms of the related pension obligations.

Other key assumptions include life expectancy, turnover, expected salary increases, pension rates and interest credits on retirement saving account balances. Life expectancy is determined by reference to mortality tables. The assumption for salary increases reflects the long-term expectations for salary growth and takes into account inflation, seniority and other relevant factors of the labour market.

C Measurement of the expected credit loss and impairment allowance

Judgement is always required by Management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. However, since the introduction of IFRS 9, the measurement of the expected credit loss allowance (ECL) is an area that requires even more judgement and to make estimates and assumptions that involve uncertainty at the time they are made.

Changes to these estimates and assumptions can result in significant changes in the timing and amount of ECL to be recognised as the impairment allowance recognised within a period is impacted by a variety of factors, including the ones described below:

- Transfers between stage 1 and stage 2 due to financial instruments experiencing significant increases (decreases) of credit risk or into (out of) stage 3 due to financial instruments becoming credit-impaired (becoming cured) and the consequent step-up (step-down) between 12-month and lifetime ECL.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period.
- Impact on the measurement of expected credit losses due to changes in probabilities of defaults (PDs), exposures at defaults (EADs) and loss given defaults (LGDs) in the period arising from regular refreshing of inputs to models.

Defining the concept of significant change in credit risk is a critical element within the overall ECL estimate given the potential effect on provision of moving financial instruments from 12-month ECL to lifetime ECL.

The expected credit losses are a discounted product of the PDs, EADs and LGDs. PDs are based on historical data and quantitative estimates supplied by third parties. The EADs represent an estimate of the exposure to credit risk at time of potential default. The LGDs represent an estimate of the loss at the time of a potential default. The Group leverages the models used in determining the parameters under Basel III framework.

Reference is made to Note F11.

Notes to the consolidated financial statements

Section VI: Financial risk management

A Introduction

The Group is exposed to a variety of financial risks that require the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Risks arise from all Group business activities and cannot be completely eliminated. Prudent risk-taking is in line with the strategic priorities and is fundamental to the Group's business as provider of online financial services.

Risk management plays an important role in the Group business planning process and is highly supported by the Executive Management and the Board of Directors.

A1 Financial risk factors

The Group activities expose it to a range of financial risks:
- Credit risk;
- Liquidity risk;
- Market risks (including foreign exchange risk and interest rate risk);
- Operational risk.

A variety of methodologies and measures are applied to quantify the risks of the Group and risk concentrations.

A2 Risk governance and risk organisation

The Group risk management policies and systems are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in the markets, products, emerging best practices and legislative and regulatory developments.

As a general rule, risk limits are set by the Board of Directors. The Executive Management is responsible for supervising and directing the risk profile and recommending risk limits to the Board of Directors. The Chief Risk Officer is the executive accountable for enabling the governance of significant risks (risk management).

The objectives of risk management are to protect the Group's financial strength and reputation, while ensuring that capital is well deployed to support business activities. These business activities are constrained by the capital that is available to cover risk-weighted assets resulting inter alia from the risks underlying the activities and the size of the balance sheet assets. These constraints represent a link between the strategy, the risks generated by the activities and the balance sheet and capital resources that are available to absorb those risks. The Group's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are managed within limits set in a transparent and timely manner. The Board of Directors is responsible for the strategic direction, supervision and control of the Group's activities as well as the definition of the overall tolerance for risk. The Audit & Risk Committee is responsible for assisting the Board of Directors in its responsibilities by monitoring the Group's approach with respect to financial reporting, internal controls, accounting, compliance and internal audit.

The Board of Directors provides written principles for the overall risk management, as well as written policies covering the following main risk areas:
- Asset and liability management and treasury policies (covering inter alia currency and maturity mismatching risks);
- Credit risks (including margining of collateral risks);
- Liquidity risks;
- Market risks (comprising the scope of assets considered for investment and provisions on market, interest rate and liquidity risks);
- Capital management policies;
- Operational risks.

Furthermore, once a year, the Board of Directors organises a conference dedicated to an in-depth review of risk and of the risk management process (the "Annual Conference on Risks"). Selected members of the senior management, the external auditors and the internal auditors provide the Board of Directors with their own risk assessments and their recommendations with respect to the risk management and internal control.

Notes to the consolidated financial statements

Section VI: Financial risk management

B Financial assets and liabilities categorisation

IFRS 7 requires presenting all the financial assets and liabilities of the Group by category and by class of instruments.

in CHF	Amortised cost	FVTPL	FVOCI & FVOCI equities	Total	Fair value
Classes of financial assets					
Cash and balances with central banks	2,871,118,650	–	–	2,871,118,650	2,871,118,650
Treasury bills and other eligible bills	439,206,719	–	–	439,206,719	439,206,719
Due from banks	2,159,429,953	–	–	2,159,429,953	2,159,429,953
Derivative financial instruments	–	97,759,018	–	97,759,018	97,759,018
Trading assets	–	5,949,451	–	5,949,451	5,949,451
Loans	338,672,203	–	–	338,672,203	338,672,203
Investment securities	309,573,665	3,983,593	21,379,018	334,936,276	338,531,403
Other assets	26,301,636	–	–	26,301,636	26,301,636
Total financial assets	**6,144,302,826**	**107,692,062**	**21,379,018**	**6,273,373,906**	**6,276,969,033**
Deferred income tax assets				3,466,758	
Intangible assets				45,727,825	
Information technology systems				55,690,924	
Property, plant and equipment				70,455,998	
Other assets (precious metals)				23,992,647	
Total non-financial assets				**199,334,152**	
Total assets as at 31 December 2019				**6,472,708,058**	

in CHF Classes of financial liabilities	Amortised cost	FVTPL	Total	Fair value
Deposits from banks	129,920,394	–	129,920,394	129,920,394
Derivative financial instruments	–	58,940,824	58,940,824	58,940,824
Due to customers	5,813,524,509	–	5,813,524,509	5,813,524,509
Other liabilities	86,124,178	–	86,124,178	86,124,178
Total financial liabilities	**6,029,569,081**	**58,940,824**	**6,088,509,905**	**6,088,509,905**
Current income tax liabilities			2,913,765	
Deferred tax liabilities			937,160	
Provisions			5,589,838	
Total non-financial liabilities			**9,440,763**	
Total liabilities as at 31 December 2019			**6,097,950,668**	
Net balance as at 31 December 2019			**374,757,390**	

Notes to the consolidated financial statements

Section VI: Financial risk management

B Financial assets and liabilities categorisation (continued)

in CHF	Amortised cost	FVTPL	FVOCI & FVOCI equities	Total	Fair value
Classes of financial assets					
Cash and balances with central banks	3,612,172,487	–	–	3,612,172,487	3,612,172,487
Treasury bills and other eligible bills	346,119,999	–	–	346,119,999	346,119,999
Due from banks	657,388,308	–	–	657,388,308	657,388,308
Derivative financial instruments	–	57,469,850	–	57,469,850	57,469,850
Trading assets	–	2,791,490	–	2,791,490	2,791,490
Loans	271,188,031	–	–	271,188,031	271,188,031
Investment securities	193,784,022	22,735,700	101,778,358	318,298,080	322,701,226
Other assets	31,872,115	–	–	31,872,115	31,872,115
Total financial assets	**5,112,524,962**	**82,997,040**	**101,778,358**	**5,297,300,360**	**5,301,703,506**
Deferred income tax assets				1,610,155	
Intangible assets				40,111,469	
Information technology systems				51,431,690	
Property, plant and equipment				59,034,567	
Total non-financial assets				**152,187,881**	
Total assets as at 31 December 2018				**5,449,488,241**	

in CHF				
Classes of financial liabilities	Amortised cost	FVTPL	Total	Fair value
Deposits from banks	209,204,815	–	209,204,815	209,204,815
Derivative financial instruments	–	35,752,201	35,752,201	35,752,201
Due to customers	4,782,694,956	–	4,782,694,956	4,782,694,956
Other liabilities	59,272,495	–	59,272,495	59,272,495
Total financial liabilities	**5,051,172,266**	**35,752,201**	**5,086,924,467**	**5,086,924,467**
Current income tax liabilities			4,802,642	
Deferred tax liabilities			940,070	
Provisions			4,600,527	
Total non-financial liabilities			**10,343,239**	
Total liabilities as at 31 December 2018			**5,097,267,706**	
Net balance as at 31 December 2018			**352,220,535**	

Notes to the consolidated financial statements

Section VI: Financial risk management

C Fair value of financial assets and liabilities

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debts.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of other assets and other liabilities is assumed to approximate their fair value.

Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed debt instruments, trading assets on stock and other exchanges, exchange-traded derivatives and precious metals. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). These inputs include: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available, inputs other than quoted prices that are observable for the asset or the liability or (3) inputs that are derived principally from or corroborated by observable market data by correlation or other means. This level includes the majority of the OTC derivative contracts and investment securities. The sources of input parameters such as benchmark interest rate or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances. This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The fair value of financial instruments traded in active markets is based on quoted prices at the balance sheet date. An active market is one in which quoted prices are readily and regularly available from a stock exchange, a dealer, a broker, an industry group, a pricing service or a regulatory agency, those prices represent actual and regularly occurring market transactions on an arm's-length basis and in which transactions take place with sufficient frequency and volume. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (i.e. over-the-counter derivatives and investment securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure an instrument at fair value are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Classification within the fair value hierarchy

Investment securities are generally classified as level 1 or level 2. Although market data is readily available, there is often insufficient third-party transaction data to justify an active market and corresponding level 1 classification.

Derivative financial instruments include, inter alia, currency forwards which are valued using foreign exchange spot rates observed in the market. As the foreign exchange market is actively tradable, these currency forwards are generally classified as level 1. Other derivative financial instruments, such as precious-metals forwards, are typically classified as level 2.

Trading assets are predominantly exchange-traded investment fund units as well as Swiss equities with readily available quoted prices in liquid markets and therefore are classified as level 1.

Precious metals are classified as level 1.

C Fair value of financial assets and liabilities (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value:

in CHF	Level 1	Level 2	Level 3	Fair value	Carrying amount
As at 31 December 2019					
Assets measured at fair value					
Derivative financial instruments	42,244,517	55,514,501	–	97,759,018	97,759,018
Trading assets	5,949,451	–	–	5,949,451	5,949,451
Investment securities	5,685,593	19,677,018	–	25,362,611	25,362,611
Other assets (precious metals)	23,992,647	–	–	23,992,647	23,992,647
Total assets measured at fair value	**77,872,208**	**75,191,519**	**–**	**153,063,727**	**153,063,727**
Assets not measured at fair value					
Cash and balances with central banks					2,871,118,650
Treasury bills and other eligible bills					439,206,719
Due from banks					2,159,429,953
Loans					338,672,203
Investments securities	164,448,068	148,720,724	–	313,168,792	309,573,665
Deferred income tax assets					26,301,636
Intangible assets					45,727,825
Information technology systems					55,690,924
Property, plant and equipment					70,455,998
Other assets					3,466,758
Total assets not measured at fair value	**164,448,068**	**148,720,724**	**–**	**313,168,792**	**6,319,644,331**
Total assets	**242,320,276**	**223,912,243**	**–**	**466,232,519**	**6,472,708,058**
Liabilities measured at fair value					
Derivative financial instruments	5,577,709	53,363,115	–	58,940,824	58,940,824
Total liabilities measured at fair value	**5,577,709**	**53,363,115**	**–**	**58,940,824**	**58,940,824**
Liabilities not measured at fair value					
Deposits from banks					129,920,394
Due to customers					5,813,524,509
Other liabilities					86,124,178
Current income tax liabilities					2,913,765
Deferred tax liabilities					937,160
Provisions					5,589,838
Total liabilities not measured at fair value	**–**	**–**	**–**	**–**	**6,039,009,844**
Total liabilities	**5,577,709**	**53,363,115**	**–**	**58,940,824**	**6,097,950,668**

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Section VI: Financial risk management

C Fair value of financial assets and liabilities (continued)

Assets measured at fair value

Investment securities measured at fair value comprise of financial assets at fair value through profit or loss (31 December 2019: CHF 4.0 million out of which none classified as level 2), financial assets at fair value through other comprehensive income (31 December 2019: CHF 19.7 million out of which CHF 19.7 million classified as level 2) and financial assets at fair value through other comprehensive income equities (31 December 2019: CHF 1.7 million out of which none classified as level 2).

Assets and liabilities not measured at fair value

Investment securities not measured at fair value comprise of investment securities classified as amortised cost. For all other assets and liabilities not measured at fair value, the carrying amount is assessed to be a reasonable approximation of fair value.

Notes to the consolidated financial statements

Section VI: Financial risk management

C Fair value of assets and liabilities (continued)

in CHF	Level 1	Level 2	Level 3	Fair value	Carrying amount
As at 31 December 2018					
Assets measured at fair value					
Derivative financial instruments	38,941,777	18,528,073	–	57,469,850	57,469,850
Trading assets	2,791,490	–	–	2,791,490	2,791,490
Investment securities	26,458,800	98,055,258	–	124,514,058	124,514,058
Total assets measured at fair value	**68,192,067**	**116,583,331**	**–**	**184,775,398**	**184,775,398**
Assets not measured at fair value					
Cash and balances with central banks					3,612,172,487
Treasury bills and other eligible bills					346,119,999
Due from banks					657,388,308
Loans					271,188,031
Investments securities	135,589,754	62,597,414	–	198,187,168	193,784,022
Deferred income tax assets					1,610,155
Intangible assets					40,111,469
Information technology systems					51,431,690
Property, plant and equipment					59,034,567
Other assets					31,872,115
Total assets not measured at fair value	**135,589,754**	**62,597,414**	**–**	**198,187,168**	**5,264,712,843**
Total assets	**203,781,821**	**179,180,745**	**–**	**382,962,566**	**5,449,488,241**
Liabilities measured at fair value					
Derivative financial instruments	6,587,210	29,164,991	–	35,752,201	35,752,201
Total liabilities measured at fair value	**6,587,210**	**29,164,991**	**–**	**35,752,201**	**35,752,201**
Liabilities not measured at fair value					
Deposits from banks					209,204,815
Due to customers					4,782,694,956
Other liabilities					59,272,495
Current income tax liabilities					4,802,642
Deferred tax liabilities					940,070
Provisions					4,600,527
Total liabilities not measured at fair value					**5,061,515,505**
Total liabilities	**6,587,210**	**29,164,991**	**–**	**35,752,201**	**5,097,267,706**

C Fair value of financial assets and liabilities (continued)

Financial assets measured at fair value

Investment securities measured at fair value comprise of financial assets at fair value through profit or loss (31 December 2018: CHF 22.7 million, out of which none classified as level 2), financial assets at fair value through other comprehensive income (31 December 2018: CHF 100.1 million, out of which CHF 98.1 million classified as level 2) and financial assets at fair value through other comprehensive income equities (31 December 2018: CHF 1.7 million, out of which none classified as level 2).

Financial assets and liabilities not measured at fair value

Investment securities not measured at fair value are all classified as amortised cost. For all other assets and liabilities not measured at fair value, the carrying amount is assessed to be a reasonable approximation of fair value.

Notes to the consolidated financial statements

Section VI: Financial risk management

D Capital management (including disclosures required by Swiss capital regulation)

D1 Capital management framework

The Group's objectives when managing capital, which is a broader concept than "equity" on the face of the statement of financial positions, are:

– Comply with regulatory capital requirements defined in the Swiss Federal Law on Banks and Savings Banks, the Implementing Ordinance on Banks and Savings Banks, the Swiss Capital Adequacy Ordinance (CAO) and the FINMA circulars that it refers to;
– Safeguard the Group's ability to continue as going concern so that it can continue to deploy its strategy, to provide returns to the shareholders and to demonstrate its financial strength and creditworthiness to its business partners and clients;
– Maintain a capital basis and capital ratios deemed adequate to support the growth of its business activities and to absorb the equity stress that the Group simulates using stress test scenarios for credit, market and operational risks;
– Anticipate future business growth and regulatory developments.

The Group and Swissquote Bank Ltd are both subject to the regulation of the Swiss Financial Market Supervisory Authority (FINMA). The capital levels of the Group are subject to quantitative and qualitative judgements by FINMA about the components of capital, risk weightings and other factors.

Within FINMA framework, Swiss banks are classified in five supervisory categories according to their size and risk impact. The higher the category to which the bank belongs, the greater are its additional capital requirements and its required disclosures.

As at 31 December 2019, Swissquote Group is classified in the supervisory category 4 (category 1 being the one with the highest requirements). Banks included in supervisory category 4 are obliged to hold 8.0% of total capital ratio and an additional 3.2%, known as "capital conservation buffer" (total: 11.2%), as well as a variable "anti-cyclical buffer" (up to 2.5%). This "anti-cyclical buffer" has been activated, without impact for the Group since it is limited to mortgage loans business in Switzerland. Banks included in category 4 are not required, under conditions, to publish the exhaustive range of disclosures set in FINMA circulars (partial disclosure).

The capital ratio of 10.5% is defined by FINMA as a ratio below which immediate and extensive actions would be taken under supervisory law.

Under Basel III framework, a number of different approaches exist to calculate the capital adequacy requirements. The Swissquote Group and Swissquote Bank Ltd apply the following approches:

	31 December 2019 and 2018
Credit risk	International Standard Approach – AS-BRI
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

Other foreign subsidiaries of the Group are as well subject to locally applicable capital requirement regulations.

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Section VI: Financial risk management

D2 Risk-weighted assets

The balance sheet positions, off-balance sheet exposures and the size of business activities are translated into risk-weighted assets (RWA) that are categorised as market, credit, operational and non-counterparty risk.

Market risk reflects the capital requirements relating to potential changes in the fair values of financial instruments in response to market movements inherent in both the balance sheet and the off-balance sheet items.

Credit risk reflects the capital requirements for the possibility of a loss incurred as the result of a counterparty failing to meet its obligations. Figures take account of add-ons for potential credit exposures.

Operational risk reflects the capital requirements for the risk of loss resulting from inadequate internal processes, people and systems or from external events.

Non-counterparty risk reflects the capital requirements relating to premises and equipment.

Together, all these constraints create a link between the Group's strategy, the risks that the business activities generate, the balance sheet and capital resources that are available.

in CHF	Risk-weighted assets		Required capital	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Credit risk:				
Sovereign	6,927,500	4,497,000	554,200	359,760
Banks	493,653,480	168,853,320	39,492,278	13,508,266
Corporates	101,528,900	62,439,400	8,122,312	4,995,152
Other institutions	143,061,400	125,144,000	11,444,912	10,011,520
Others	168,731,000	142,020,280	13,498,480	11,361,622
Non-counterparty risk	126,146,922	110,466,257	10,091,754	8,837,301
Market risk	38,566,838	105,749,000	3,085,347	8,459,920
Operational risk	419,182,203	350,651,012	33,534,576	28,052,081
Total	**1,497,798,243**	**1,069,820,269**	**119,823,859**	**85,585,622**

The integration of Internaxx Bank S.A. in the scope of consolidation during 2019 has led to an increase in the risk-weighted assets of the Group.

Notes to the consolidated financial statements

Section VI: Financial risk management

D3 Eligible capital and capital ratios

To determine the total eligible capital under Basel III, additional deductions are made in the form of general adjustments from the total equity calculated in accordance with IFRS. These items are deducted in full and in particular comprise of intangible assets (goodwill).

in CHF	31 December 2019	31 December 2018
Eligible capital		
Ordinary shares	3,065,634	3,065,634
Share premium	52,399,616	51,630,459
Share option reserve	2,134,630	1,265,122
Other reserve	(13,668,548)	(6,487,147)
Treasury shares	(18,787,665)	(16,723,797)
Retained earnings	349,613,723	319,470,264
Subtotal	**374,757,390**	**352,220,535**
General adjustments		
Intangible assets	(45,727,825)	(40,111,469)
Others	(3,785,025)	(1,699,144)
Total common equity tier 1 capital (CET1 capital)	**325,244,540**	**310,409,922**
Total tier 2 capital (T2)	57,420	56,967
Total eligible capital	**325,301,960**	**310,466,889**

The IFRS 9 accounting provision related to FVOCI instruments included in Other reserve is deducted from tier 1 capital. Then, 100% of this amount is added back to tier 2 capital, up to a maximum of 1.25% of risk-weighted assets for credit risk.

	Capital ratios		Minimum requirements		
	31 December 2019	31 December 2018	Basel III minimum requirement	Capital conservation buffer	Total minimum requirement
Common equity tier 1 ratio (CET1)	21.7%	29.0%	4.5%	2.9%	7.4%
+ Additional tier 1 capital ratio (AT1)	–	–	1.5%	0.1%	1.6%
+ Tier 2 capital ratio (T2)	–	–	2.0%	0.2%	2.2%
Capital ratio (%)	**21.7%**	**29.0%**	**8.0%**	**3.2%**	**11.2%**

Additional metrics requested by FINMA Circular 2016/1:

	31 December 2019	31 December 2018
CET1 available to cover Basel III minimum capital requirement after deduction of AT1 (1.5%) and T2 (2.0%) which are filled by CET 1 (21.7%)	18.2%	25.5%
CET1 available to cover total minimum capital requirement after deduction of AT1 (1.6%) and T2 (2.2%) which are filled by CET 1 (21.7%)	17.9%	25.2%
Capital ratio available to meet CET1 and T1 capital targets after deduction of T2 minimum requirement (2.2%)	19.5%	26.8%

D4 Leverage ratio

The FINMA Circular 2015/3 "Leverage ratio" clarifies the calculation of the leverage ratio as per guidelines set forth in the Basel III minimum standards.

in CHF thousand, except where indicated	31 December 2019	31 December 2018
Tier 1 capital	325,245	310,410
Total leverage ratio exposure	6,539,523	5,538,137
Leverage ratio (%)	**5.0%**	**5.6%**

Total leverage ratio exposure corresponds to total assets adjusted by tier 1 capital deductions and off-balance sheet items. Swissquote Bank Ltd and Internaxx Bank S.A. are as well subject to applicable leverage requirement regulations.

D5 Liquidity coverage ratio

The Liquidity Ordinance (LiqO) and the Circular FINMA 2015/2 "Liquidity Risks Banks" outline the qualitative and quantitative liquidity requirements for banks. The qualitative part includes the definition of liquidity risk tolerance and strategy, the measurement of liquidity risks, stress testing and contingency funding planning. The requirements apply to all banks, but are tiered according to the scope of operations, complexity and general risk profile of its business activities.

The Liquidity Coverage Ratio (LCR) comprises two components: (1) the value of specifically defined high-quality liquid assets in stressed conditions and (2) the total net cash outflows calculated according to parameters.

The FINMA Circular 2016/1 "Disclosure – banks" requires to publicly disclose the LCR on a quarterly basis, calculated based on the three-month average of the LCR components. Swissquote Bank Ltd main liquidity figures are presented hereafter.

in CHF thousand, except where indicated	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q4 2018
Liquidity Coverage Ratio (LCR)					
Cash outflows	1,399,943	1,425,807	1,300,565	1,375,776	1,338,806
Cash inflows	(262,290)	(293,297)	(283,164)	(350,326)	(328,401)
Net cash outflows	**1,137,653**	**1,132,510**	**1,017,401**	**1,025,450**	**1,010,405**
Total high-quality liquid assets (HQLA)	**3,683,789**	**3,815,686**	**3,634,706**	**3,378,129**	**3,585,284**
Liquidity Coverage Ratio (LCR in %)	**324%**	**337%**	**357%**	**329%**	**355%**

During 2019, the LCR was mainly influenced by the mix of weightings to be applied to customer cash balances (due to customers and deposits from banks) when determining the cash outflows.

As at 31 December 2019, the Net Stable Funding Ratio (NSFR) reported to Swiss National Bank was 319% (2018: 389%).

Complementing the short-term liquidity (LCR) and structural liquidity (NSFR) ratios, observation ratios form part of the liquidity regulations set out in Basel III. Observation ratios are used as liquidity monitoring tools and contrary to the LCR and NSFR ratios, no minimum requirements apply to the various observation ratios.

Internaxx Bank S.A. is as well subject to liquidity requirement regulations.

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Section VI: Financial risk management

E Compliance with depositor protection rules

E1 Switzerland

The Swiss Federal Law on Banks and Savings Banks states that in the event of a bank collapsing, deposits up to CHF 100,000 per depositor will be treated as "preferential debt", thus taking priority over the claims of other creditors. This preferential status means that these "privileged deposits" will be paid out of the insolvent bank's assets and will therefore take priority over claims by other (non-preferential) creditors. In order to secure these privileged deposits, banks are required to hold 125% of total privileged deposits in adequate eligible assets. Swissquote Bank Ltd met those requirements as at 31 December 2019, with a coverage of 224% (31 December 2018: 205%).

E2 Luxembourg

The Luxembourgish law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes states that the deposit guarantee scheme ("Fonds de garantie des dépôts Luxembourg" (FDGL)) and the investor compensation system cover eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000.

Credit institutions contribute on an annual basis to the FGDL. The initial target level of funding of the FGDL was set at 0.8% of covered deposits. Then, the Luxembourgish credit institutions are to continue to contribute for eight additional years in order to constitute an additional safety buffer of 0.8% of covered deposits (total buffer: 1.6%).

F Credit risk

Credit risk is defined as the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations. In the event of a default, the Group could incur a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company.

Credit exposures arise principally from margin lending activities that lead to exposures as loans or derivative financial instruments, and from investing activities that bring exposure as investment securities, treasury bills and due from banks.

Credit risk management is a structured process to assess, monitor and manage risk on a constant basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure and standardised approach to recognising credit impairments.

F1 Credit risk measurement

(I) Loans

Loans are principally in the form of:

- Lombard loans and other types of margin loans (securities trading);
- Other loan receivables (public authorities).

These credit limits are principally used by clients for leveraging their securities trading or their leveraged forex operations. The Group operates real-time mark-to-market trading platforms with customers' accounts being simultaneously updated with individual profits and losses. Credit risk arises when client's assets deposited with the Group are not sufficient to cover trading losses incurred.

Lombard loans and other types of margin loans: for Lombard loans, the maximum amount of margin (and hence of credit to a client) is based on the aggregate margin determined on each item of the customer's portfolio. The margin rate for securities is based on the type of security (mainly listed shares and bonds), and various other features such as liquidity, volatility and external rating. The amount of maximum margin is remeasured at each transaction of the customer, and in case of inactivity of the client several times per business day. Lombard loans are monitored using a real-time system comparing the fair value of the collateral with the actual credit granted to each customer. Margin loans may be granted by the Group in the field of options and futures. Margin requirements are calculated for each customer throughout the trading day. Customers are alerted in their account when approaching margin breaches and if a customer's equity falls below the required level, positions are liquidated to bring the account into margin compliance. By permitting customers to exercise leverage with option and future positions, the Group is subject to risks inherent in extending credit, especially during periods of volatility spikes or rapidly declining markets in which the value of the collateral held could fall below the amount of a customer's indebtness.

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Section VI: Financial risk management

F1 Credit risk measurement (continued)

(I) Loans (continued)

Other loan receivables (public authorities): in the absence of debt security, investing activities could be performed in the form of a loan receivable, in particular to Swiss public authorities. The credit risk associated is limited through internal regulation and prescribed limits. Limits apply at a counterparty level. Compliance with prescribed limits is monitored at a counterparty level. Compliance with prescribed limits is monitored on an ongoing basis and also verified before the conclusion of each transaction.

(II) Due from banks

Due from banks comprises:

- Interbank deposits;
- Collateral deposits;
- Receivables from banks.

Interbank deposits: these deposits are made in order to gain an interest margin in the form of current accounts, term deposits or reverse repurchase transactions. The reverse repurchase exposure are mitigated by securities pledged by the third-party bank in favour of the Group.

Collateral deposits: these exposures result from amounts that are pledged in favour of third-party financial institutions (such as stock exchanges or clearing members of stock exchanges) in order to secure the settlement of the transactions carried out by the Group's clients.

Receivables from banks: the Group also faces credit risk from third-party banks which benefit from the trading venues of the Group (such as white-label partners). These exposures may be mitigated by collateral agreements (deposits recognised as deposits from banks or securities) as well as other means. However, all credit exposures cannot be always totally eliminated on an intraday basis.

The limit for each counterparty – which absolute maximum is defined inter alia by reference to Group eligible capital (equity) in accordance with Swiss banking regulation (Capital Adequacy Ordinance in particular) – is based on a set of cumulative factors that include the external rating of the counterparty, the domicile of the counterparty and the duration of the financial instrument.

(III) Investment securities and treasury bills and other eligible bills

Investment securities comprise of debt securities. Treasury bills and other eligible bills comprise of commercial papers and short-term debt instruments with a maturity below 12 months. Internal regulations define the procedures for the approval, management and review of the Group's exposure.

(IV) Derivative financial instruments

Derivative contracts are entered into in the normal course of business (clientele activity), as well as for asset and liability activities and for own risk management need, including mitigation of interest rate, foreign exchange and credit risk. Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The replacement values correspond to the fair values. Positive replacement values constitute an asset, while negative replacement values a liability.

The Group operates a real-time mark-to-market leveraged forex trading facility where clients are required to deposit cash collateral (margin deposit) against open positions. Open positions of clients are authorised to a maximum leverage of their margin deposit. The margin deposit is adjusted by unrealised gains and losses (derivative financial instruments). Maximum leverage could be restricted in certain jurisdictions according to the nature of the customer. As with any leveraged product offering, there is the potential for a client to lose more than the margin deposit. As a result, the Group has set up a system for the automatic close-out of open positions (mandatory for retail customers). The automatic margin close-out system shall apply (in normal market conditions) as soon as the used margin of the open positions reaches the margin deposit by a specific percentage. Automatic margin close-out provides a degree of protection as it reduces, but does not eliminate the risk that the client loses all or more than the initial margin (particularly during market/instruments gaps or volatility spikes). Folowing a margin close-out, any deficit would be presented as Loans.

Notes to the consolidated financial statements

Section VI: Financial risk management

F2 Risk limit control and mitigation policies

The Group carefully manages its exposure to credit risk. The levels of credit risk are structured by setting limits on the amount of risk accepted in relation to a borrower, or groups of borrowers with respect to their credit rating (when applicable), as well as the level of security margin required which depends on the types of securities, portfolio profiles and market conditions.

Counterparty credit risks are monitored on a revolving basis and are subject to a monthly or more frequent review.

The exposure to any borrower including banks and brokers is further restricted by sublimits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The exposure to customers with leveraged offering is monitored through regular scenario-based stress tests to analyse the impact of potential stress and market/instrument gap events and to take (when appropriate) action to reduce risk exposures of clients.

To avoid credit risk concentrations, the Group establishes limits and controls that constrain risk concentrations with regard to sector and country exposure.

F3 Expected credit loss measurement (impairment)

The measurement of expected credit losses (ECL) under IFRS 9 uses the information and approaches that the Group uses to manage risk, through certain adjustments made in order to comply with the requirements of IFRS 9.

IFRS 9 outlines a 3-stage model for impairment based on changes in credit quality since initial recognition (credit risk is continuously monitored by the Group).

IFRS 9 3-stage model

Stage 1	All financial instruments at initial recognition (except if already credit-impaired at acquisition).
Stage 2	A financial instrument is moved to stage 2 if there is a significant increase in credit risk since initial recognition. Reference is made to Section IV G for how the Group defines SICR.
Stage 3	Any financial instrument that is credit-impaired. Reference is made to Section IV G for how the Group defines credit-impaired/default.

Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime-expected credit losses that result from default events possible within the next 12 months. Instruments in stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. The key judgements and assumptions adopted by the Group in addressing the requirements of IFRS 9 are discussed in Section V.

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Section VI: Financial risk management

F4 Maximum exposure to credit risk (financial instruments subject to impairment)

The following table contains an analysis of the credit exposure of financial assets for which an ECL allowance is recognised and is designed to meet the disclosure requirements of IFRS.

	IFRS 9 staging				
	2019				2018
in CHF	Stage 1	Stage 2	Stage 3	Total	Total
Credit risk exposure relating to financial assets subject to impairment:					
Cash and balances with central banks	2,871,118,650	–	–	2,871,118,650	3,612,172,487
Treasury bills and other eligible bills	439,291,102	–	–	439,291,102	346,165,630
Due from banks	2,160,926,781	–	415,403	2,161,342,184	658,535,974
Loans	338,682,812	–	30,267,014	368,949,826	299,232,894
Investment securities	335,150,178	–	–	335,150,178	318,348,460
Gross carrying amount (A)	**6,145,169,523**	**–**	**30,682,417**	**6,175,851,940**	**5,234,455,445**
ECL allowance	(1,805,722)	–	(30,682,417)	(32,488,139)	(29,288,540)
Carrying amount	**6,143,363,801**	**–**	**–**	**6,143,363,801**	**5,205,166,905**
Credit risk exposure relating to financial assets not subject to impairment:					
Derivative financial instruments	97,759,018	–	–	97,759,018	57,469,850
Others (trading assets and other assets)	32,251,087	–	–	32,251,087	34,663,605
Carrying amount (B)	**130,010,105**	**–**	**–**	**130,010,105**	**92,133,455**
Total financial assets as at 31 December	**6,273,373,906**	**–**	**–**	**6,273,373,906**	**5,297,300,360**
Credit risk exposure relating to off-balance sheet assets are as follows:					
Operating lease commitments				N.A. [1]	10,151,192
Loan commitments (depositor protection contribution – Art. 37H BA)				28,648,000	28,886,000
Total credit exposure off-balance sheet (C)				**28,648,000**	**39,037,192**
Total credit exposure (A) + (B) + (C) as at 31 December	**6,275,179,628**	**–**	**30,682,417**	**6,334,510,045**	**5,365,626,092**

[1] Reference is made to Section III A.

As at 31 December 2019, 45.8% of total credit exposure is related to Swiss National Bank and Banque centrale du Luxembourg (2018: 68.2%) for which no ECL allowance was required. During 2019, the Group did not purchase any credit-impaired financial assets.

As at 31 December 2019, there is no impairment allowance impact related to off-balance sheet exposures.

When customers trade any leveraged product offering, there is the potential and inherent risk for a client to loose more than the collateral lodged. The Group does not offer to retail customers credit terms and has robust and automated liquidation processes. Client credit risk only arise when markets and instruments gap and the movement in the value of a customer leveraged portfolio exceeds the value of the collateral that the customer has held at the Group leaving the customer account in negative. Stage 3 captures the risk associated with a client defaulting on its obligations due to the Group.

F5 Collateral

The Group employs a range of policies and practices to mitigate risk. The most common of these is accepting collateral for funds advanced (e.g. Lombard loans). Lombard loans are not granted to customers based on their financial capacity of reimbursement but rather on the quality of the underlying collaterals. The Group provides credit Lombard loan to clients enabling them to purchase securities with leverage at prevailing debit interest rates against equity collateral held on their account and in custody with the Group.

in CHF	2019	2018
Collateral at fair value to support loans (Lombard loans)	1,056,685,211	818,286,913
Collateral at fair value to support due from banks	921,783,270	–
Cash deposits to support derivative financial instruments	447,022,634	365,237,428
Total as at 31 December	**2,425,491,115**	**1,183,524,341**

F6 Due from banks and loans

	31 December 2019		31 December 2018	
in CHF	Loans	Due from banks	Loans	Due from banks
Neither past due nor impaired	338,369,533	2,159,429,953	269,908,916	657,388,308
Past due but not impaired	302,670	–	1,279,115	–
Impaired	30,277,623	1,912,231	28,044,863	1,147,666
Gross balance	**368,949,826**	**2,161,342,184**	**299,232,894**	**658,535,974**
Impairment allowance	(30,277,623)	(1,912,231)	(28,044,863)	(1,147,666)
Net balance	**338,672,203**	**2,159,429,953**	**271,188,031**	**657,388,308**

Loans are spread over 18,148 distinct customers (2018: 15,616), 74.0% of them are domiciled in Switzerland (2018: 78.3%). The largest balance as at 31 December 2019 is CHF 18,161,386 (2018: CHF 17,523,197).

Due from banks are spread over 88 distinct counterparties (2018: 47). The largest balance as at 31 December 2019 is related to margin deposit of the Group with EUREX Exchange and amounts to CHF 140,634,361 (2018: CHF 150,280,787).

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F6 Due from banks and loans (continued)

Due from banks are further analysed as follows (based on contractual maturity):

in CHF	External rating	Sight/less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Gross amount
Investment grade	From AAA to AA-	712,063,406	122,868,518	–	–	834,931,924
	From A+ to A-	605,800,118	151,931,128	–	294,425	758,025,671
	From BBB+ to BBB-	209,674,676	37,275,808	10,856,500	–	257,806,984
Speculative grade	From BB+ to BB-	–	–	–	–	–
	From B+ to B-	–	–	–	–	–
	From CCC+ to CCC-	–	–	–	–	–
	From CC+ to C-	–	–	–	–	–
Unrated	Not applicable	203,868,296	104,797,078	–	–	308,665,374
As at 31 December 2019		**1,731,406,496**	**416,872,532**	**10,856,500**	**294,425**	**2,159,429,953**

Unrated counterparties relate to Swiss cantonal banks for CHF 165.3 million (2018: CHF 77.7 million), other Swiss financial institutions for CHF 42.4 million (2018: CHF 47.7 million), Luxembourg banks for CHF 31.2 million (2018: CHF 2.3 million) and other banks for CHF 69.8 million (2018: CHF 19.4).

No credit limits were exceeded during 2019 and 2018.

At year-end, up to CHF 439.0 million (2018: CHF 400.5 million) of the exposure is explained by amounts pledged in favour of third-party banks mainly in order to secure the settlement of client transactions (collateral deposits).

in CHF	External rating	Sight/less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Gross amount
Investment grade	From AAA to AA-	195,906,342	32,521,900	–	–	228,428,242
	From A+ to A-	149,579,848	–	–	–	149,579,848
	From BBB+ to BBB-	132,252,862	–	–	–	132,252,862
Speculative grade	From BB+ to BB-	–	–	–	–	–
	From B+ to B-	–	–	–	–	–
	From CCC+ to CCC-	–	–	–	–	–
	From CC+ to C-	–	–	–	–	–
Unrated	Not applicable	123,051,169	24,076,187	–	–	147,127,356
As at 31 December 2018		**600,790,221**	**56,598,087**	**–**	**–**	**657,388,308**

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F7 Investment securities, treasury bills and other eligible bills

Investment securities (CHF 334.9 million), treasury bills and other eligible bills (CHF 439.2 million) are analysed as follows:

in CHF	External rating	Less than 1 year	1 to 2 years	2 to 5 years	Above 5 years	Gross amount
Investment grade	From AAA to AA-	265,960,968	20,158,027	45,350,104	20,635,628	352,104,727
	From A+ to A-	25,036,557	25,863,333	12,040,943	22,919,318	85,860,151
	From BBB+ to BBB-	44,932,081	18,798,349	16,741,664	14,422,896	94,894,990
Speculative grade	From BB+ to BB-	512,048	–	–	533,422	1,045,470
	From B+ to B-	–	–	–	–	–
	From CCC+ to CCC-	–	–	–	–	–
	From CC+ to C-	–	–	–	–	–
Unrated	Not applicable	235,717,656	4,520,001	–	–	240,237,657
Total as at 31 December 2019		**572,159,310**	**69,339,710**	**74,132,711**	**58,511,264**	**774,142,995**

Cash and balances with central banks	2,871,118,650
Other assets than cash and balances with central banks, investment securities and treasury bills and other eligible bills	2,827,446,413
Total assets as at 31 December 2019	**6,472,708,058**

As at 31 December 2019, the balance of CHF 1.0 million identified as speculative grade entirely consists of bonds issued by Indian and Brazilian corporates. The balance identified as unrated mainly consists of loans to Swiss municipalities for CHF 235.7 million (2018: CHF 218.0 million) which are classified as treasury bills and other eligible bills.

None of the above investment securities and treasury bills and other eligible bills are past due or impaired.

As at 31 December 2019, investment securities, treasury bills and other eligible bills for an amount of CHF 289.7 million (2018: CHF 158.0 million) are pledged up in favour of third parties (collateral deposits).

in CHF	External rating	Less than 1 year	1 to 2 years	2 to 5 years	Above 5 years	Gross amount
Investment grade	From AAA to AA-	165,931,603	119,096,027	15,747,615	7,278,224	308,053,469
	From A+ to A-	56,803,964	16,917,693	–	–	73,721,657
	From BBB+ to BBB-	38,368,591	21,808,908	–	–	60,177,499
Speculative grade	From BB+ to BB-	4,477,085	–	–	–	4,477,085
	From B+ to B-	–	–	–	–	–
	From CCC+ to CCC-	–	–	–	–	–
	From CC+ to C-	–	–	–	–	–
Unrated	Not applicable	217,988,369	–	–	–	217,988,369
Total as at 31 December 2018		**483,569,612**	**157,822,628**	**15,747,615**	**7,278,224**	**664,418,079**

Cash and balances with central banks	3,612,172,487
Other assets than cash and balances with central banks, investment securities and treasury bills and other eligible bills	1,172,897,675
Total assets as at 31 December 2018	**5,449,488,241**

None of the above investment securities and treasury bills and other eligible bills are past due or impaired.

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F8 Geographical concentration of financial assets

The Group has credit exposures outside Switzerland:

- Through its deposits with financial institutions domiciled outside Switzerland (Due from banks);
- Through debt instruments issued by foreign corporations, financial institutions and governments (Investment securities, Treasury bills and other eligible bills and Other assets);
- As many clients are domiciled outside of Switzerland, the Group may have granted margin landing facilities such as Lombard loans (Loans as well as Derivative financial instruments);
- Through its international operations (foreign subsidiaries).

The geographical distribution based on the domicile of the counterparties is analysed below:

in CHF	Switzerland	Europe	Rest of the world	Total
Cash and balances with central banks	2,818,817,326	52,301,324	–	2,871,118,650
Treasury bills and other eligible bills	280,698,990	62,779,199	95,728,530	439,206,719
Due from banks	1,314,757,624	601,629,432	243,042,897	2,159,429,953
Derivative financial instruments	27,741,248	22,260,399	47,757,371	97,759,018
Trading assets	5,949,451	–	–	5,949,451
Loans	247,924,954	32,719,426	58,027,823	338,672,203
Investment securities	156,555,907	46,808,344	131,572,025	334,936,276
Other assets	26,301,636	–	–	26,301,636
Total financial assets as at 31 December 2019	**4,878,747,136**	**818,498,124**	**576,128,646**	**6,273,373,906**

in CHF	Switzerland	Europe	Rest of the world	Total
Cash and balances with central banks	3,612,172,487	–	–	3,612,172,487
Treasury bills and other eligible bills	249,983,336	23,707,467	72,429,196	346,119,999
Due from banks	286,576,442	288,651,848	82,160,018	657,388,308
Derivative financial instruments	3,502,127	11,447,841	42,519,882	57,469,850
Trading assets	2,791,490	–	–	2,791,490
Loans	210,477,758	28,770,435	31,939,838	271,188,031
Investment securities	123,332,038	70,581,997	124,384,045	318,298,080
Other assets	30,841,987	398,401	631,727	31,872,115
Total financial assets as at 31 December 2018	**4,519,677,665**	**423,557,989**	**354,064,706**	**5,297,300,360**

F9 Industry sector concentration of assets

The industry sector concentration is analysed below:

in CHF	Cash and treasury bills	Derivative financial instruments	Due from banks and loans	Investment securities	Total as at 31 December 2019	Total as at 31 December 2018
Banks and other financial entities	31,393,992	21,883,716	2,191,542,953	179,092,271	2,423,912,932	858,514,627
Central banks	2,871,118,650	–	–	–	2,871,118,650	3,612,172,487
Sovereign and municipalities	407,812,727	–	25,629,391	64,118,403	497,560,521	407,909,481
Subtotal	**3,310,325,369**	**21,883,716**	**2,217,172,344**	**243,210,674**	**5,792,592,103**	**4,878,596,595**
Automobiles & parts	–	–	–	6,126,175	6,126,175	6,332,906
Basic resources	–	–	–	6,336,083	6,336,083	1,681,881
Chemicals	–	–	–	3,493,194	3,493,194	1,128,762
Constructions & materials	–	–	–	1,472,900	1,472,900	348,506
Food & beverages	–	–	–	9,316,768	9,316,768	12,337,450
Healthcare	–	–	–	3,248,808	3,248,808	3,376,228
Individuals	–	75,875,302	280,929,812	–	356,805,114	316,696,102
Industrials goods & services	–	–	–	16,062,354	16,062,354	6,982,824
Insurance	–	–	–	4,631,698	4,631,698	–
Media	–	–	–	–	–	2,252,887
Oil & gas	–	–	–	3,231,047	3,231,047	10,620,931
Personal & household goods	–	–	–	5,081,548	5,081,548	4,148,356
Retail	–	–	–	4,710,040	4,710,040	2,913,688
Supranational	–	–	–	10,088,362	10,088,362	9,930,537
Technology	–	–	–	12,831,363	12,831,363	1,126,280
Telecommunications	–	–	–	3,057,426	3,057,426	2,942,680
Utilities	–	–	–	2,037,836	2,037,836	1,220,142
Subtotal	**–**	**75,875,302**	**280,929,812**	**91,725,602**	**448,530,716**	**384,040,160**
Other assets with no industry sector concentration					231,585,239	186,851,486
Total assets					**6,472,708,058**	**5,449,488,241**

F10 Offsetting

Offsetting and related rights to set off are risk management tools that the Group uses among others to reduce counterparty credit risk. The following table presents the recognised financial instruments that are subject to enforceable netting agreements or other similar agreements but not offset.

in CHF	Gross amounts of recognised financial assets	Presented in statement of financial positions	Related amounts not set off/collateral (Due to customers)	Net credit exposure
Derivative financial instruments (assets)				
Foreign exchange swaps	5,334,869	5,334,869	–	5,334,869
Currency options	280,882	280,882	–	280,882
Currency forwards, precious-metals forwards and CFD derivatives	92,143,267	92,143,267	447,022,634	–
Balance as at 31 December 2019	**97,759,018**	**97,759,018**	**447,022,634**	**5,615,751**
Foreign exchange swaps	2,532,516	2,532,516	–	2,532,516
Currency options	91,608	91,608	–	91,608
Currency forwards, precious-metals forwards and CFD derivatives	54,845,726	54,845,726	365,237,428	–
Balance as at 31 December 2018	**57,469,850**	**57,469,850**	**365,237,428**	**2,624,124**

in CHF	Gross amounts of recognised financial liabilities	Presented in statement of financial positions
Derivative financial instruments (liabilities)		
Foreign exchange swaps	28,506,382	28,506,382
Currency options	280,882	280,882
Currency forwards, precious-metals forwards and CFD derivatives	30,153,560	30,153,560
Balance as at 31 December 2019	**58,940,824**	**58,940,824**
Foreign exchange swaps	13,376,997	13,376,997
Currency options	91,608	91,608
Currency forwards, precious-metals forwards and CFD derivatives	22,283,596	22,283,596
Balance as at 31 December 2018	**35,752,201**	**35,752,201**

Currency forwards, precious-metals forwards and CFD derivatives recognised as derivative financial instruments correspond to open positions from leveraged forex (eForex) clients that are authorised to trade with a maximum leverage of their equity. Corresponding collateral margin deposits are recognised in Due to customers for an amount of CHF 447.0 million (2018: CHF 365.2 million).

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Section VI: Financial risk management

F11 Impairment loss allowance (IFRS 9)

The loss allowance concept is impacted by a variety of factors, as described below:

Effect is an additional allowance	Effect could be mixed	Effect is a release of allowance
Significant increase in credit risk resulting in transfers from stage 1 to stage 2/3 or from stage 2 to stage 3	Changes in assumptions (PD, EAD and LGD)	Significant decrease of credit risk resulting in transfers from stage 3 to stage 2/1 or stage 2 to stage 1
New financial assets recognised during the period	Foreign exchange translation	Derecognition of financial assets during the period

The following tables explain the changes in the impairment loss allowance during the period:

	Stage 1	Stage 2	Stage 3	Total	2019	2018
Movements, gross of tax, that do reduce the carrying amount of financial assets:						
Impairment allowance under IFRS 9 as at 1 January 2019	**824,141**	**–**	**28,464,399**	**29,288,540**	**–**	**–**
Addition through acquisition	1,160,814	–	–	1,160,814	–	–
Transfers from stage 1 to stage 3	–	–	1,782,952	1,782,952	(1,782,952)	(8,322,145)
Derecognitions and new purchases	173,795	–	–	173,795	(173,795)	16,286
Changes in assumptions (PD, EAD and LGD)	(353,028)	–	–	(353,028)	353,028	(362,951)
Other movements [1]	–	–	435,066	435,066	(163,762)	(348,146)
Impairment allowance under IFRS 9 as at 31 December 2019	**1,805,722**	**–**	**30,682,417**	**32,488,139**	**–**	**–**
Movements, gross of tax, that do not reduce the carrying amount of financial assets:						
Remeasurement under IFRS 9 as at 1 January 2019	**61,926**	**–**	**–**	**61,926**	**–**	**–**
Derecognitions	(48,206)	–	–	(48,206)	48,206	445,758
Changes in assumptions (PD, EAD and LGD)	(5,074)	–	–	(5,074)	5,074	54,546
Total as at 31 December 2019	**1,814,368**	**–**	**30,682,417**	**32,496,785**	**–**	**–**
Total as at 1 January 2019	886,067	–	28,464,399	29,350,466	–	–
Credit loss expense					**(1,714,201)**	**(8,516,652)**

[1] Other movements may comprise of both amounts with and without impact to the credit loss expense line item (write-off, foreign exchange impact, etc.).

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G Liquidity risk

Liquidity is the ability of the Group to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The fundamental role of banks in the maturity transformation of short-term deposits into medium- and long-term loans makes banks inherently vulnerable to liquidity risk.

G1 Liquidity risk management process

Liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to the Group. The objective of the Group's liquidity risk management is achieved through a conservative asset and liability management strategy, which comprises of:

- The maturity analysis of current investments in order to ensure the regular stream of expiries;
- The measurement of known and unknown cash flows;
- Measures ensuring ability to borrow funds through various instruments.

G2 Non-derivative cash flows

The table below presents the balances payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

in CHF	On demand/ less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As at 31 December 2019						
Non-derivative financial liabilities						
Deposits from banks	129,920,394	–	–	–	–	129,920,394
Due to customers	5,808,578,080	4,761,355	185,074	–	–	5,813,524,509
Other liabilities	73,413,650	–	47,788	1,648,163	11,014,577	86,124,178
Total non-derivative financial liabilities (contractual maturity dates) – (A)	**6,011,912,124**	**4,761,355**	**232,862**	**1,648,163**	**11,014,577**	**6,029,569,081**
Derivative financial instruments						58,940,824
Non-financial liabilities						9,440,763
Total liabilities						**6,097,950,668**
Commitments (B)	28,648,000	–	–	–	–	28,648,000
Total maturity grouping (A) + (B)	**6,040,560,124**	**4,761,355**	**232,862**	**1,648,163**	**11,014,577**	**6,058,217,081**
Total non-derivative financial assets (expected maturity dates)	(4,784,466,565)	(401,737,085)	(750,647,237)	(179,958,312)	(58,805,689)	(6,175,614,888)
Net balance	**1,256,093,559**	**(396,975,730)**	**(750,414,375)**	**(178,310,149)**	**(47,791,112)**	**(117,397,807)**

G2 Non-derivative cash flows (continued)

in CHF	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As at 31 December 2018						
Non-derivative financial liabilities						
Deposits from banks	209,204,815	–	–	–	–	209,204,815
Due to customers	4,773,142,339	9,201,305	351,312	–	–	4,782,694,956
Other liabilities	59,272,495	–	–	–	–	59,272,495
Total non-derivative financial liabilities (contractual maturity dates) – (A)	**5,041,619,649**	**9,201,305**	**351,312**	**–**	**–**	**5,051,172,266**
Derivative financial instruments						35,752,201
Non-financial liabilities						10,343,239
Total liabilities						**5,097,267,706**
Commitments (B)	–	–	30,997,293	5,160,091	2,879,808	39,037,192
Total maturity grouping (A) + (B)	**5,041,619,649**	**9,201,305**	**31,348,605**	**5,160,091**	**2,879,808**	**5,090,209,458**
Total non-derivative financial assets (expected maturity dates)	(4,515,042,178)	(170,239,234)	(366,227,084)	(181,044,546)	(7,277,468)	(5,239,830,510)
Net balance	**526,577,471**	**(161,037,929)**	**(334,878,479)**	**(175,884,455)**	**(4,397,660)**	**(149,621,052)**

G3 Derivative cash flows

Derivatives held are settled on a net basis and are disclosed on a fair value basis.

in CHF	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As at 31 December 2019						
Assets						
Derivatives held for trading						
Foreign exchange swaps	651,075	1,491,403	3,134,762	57,629	–	5,334,869
Currency options	34,812	95,595	150,475	–	–	280,882
Currency forwards	43,675,847	4,885,882	6,925,516	3,483,580	–	58,970,825
Precious-metals forwards	13,793,365	–	–	–	–	13,793,365
CFD derivatives	19,379,077	–	–	–	–	19,379,077
Derivatives held for hedging						
Interest rate futures	–	–	–	–	–	–
Total	**77,534,176**	**6,472,880**	**10,210,753**	**3,541,209**	**–**	**97,759,018**
Liabilities						
Derivatives held for trading						
Foreign exchange swaps	14,751,335	7,214,446	6,538,319	2,282	–	28,506,382
Currency options	34,812	95,595	150,475	–	–	280,882
Currency forwards	6,314,199	4,958,443	8,050,466	3,429,343	–	22,752,451
Precious-metals forwards	2,485,382	–	–	–	–	2,485,382
CFD derivatives	4,915,727	–	–	–	–	4,915,727
Derivatives held for hedging						
Interest rate futures	–	–	–	–	–	–
Total	**28,501,455**	**12,268,484**	**14,739,260**	**3,431,625**	**–**	**58,940,824**

Currency forwards, precious-metals forwards and CFD derivatives (indices and commodities) are mainly related to open transactions of leveraged forex clientele as at 31 December 2019. Those transactions have to be classified in category "Less than 1 month".

G3 Derivative cash flows (continued)

Derivatives held are settled on a net basis and are disclosed on a fair value basis.

in CHF	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As at 31 December 2018						
Assets						
Derivatives held for trading						
Foreign exchange swaps	931,346	1,400,222	200,948	–	–	2,532,516
Currency options	225	36,038	55,345	–	–	91,608
Currency forwards	39,795,223	876,794	744,032	–	–	41,416,049
Precious-metals forwards	9,046,958	–	–	–	–	9,046,958
CFD derivatives	4,382,719	–	–	–	–	4,382,719
Derivatives held for hedging						
Interest rate futures	–	–	–	–	–	–
Total	**54,156,471**	**2,313,054**	**1,000,325**	–	–	**57,469,850**
Liabilities						
Derivatives held for trading						
Foreign exchange swaps	9,762,602	3,375,701	238,694	–	–	13,376,997
Currency options	225	36,038	55,345	–	–	91,608
Currency forwards	7,673,012	1,108,768	669,776	–	–	9,451,556
Precious-metals forwards	10,903,087	–	–	–	–	10,903,087
CFD derivatives	1,928,953	–	–	–	–	1,928,953
Derivatives held for hedging						
Interest rate futures	–	–	–	–	–	–
Total	**30,267,879**	**4,520,507**	**963,815**	–	–	**35,752,201**

Currency forwards, precious-metals forwards and CFD derivatives (indices and commodities) are mainly related to open transactions of leveraged forex (eForex) clientele as at 31 December 2018. Those transactions have to be classified in category "Less than 1 month".

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Section VI: Financial risk management

G4 Off-balance sheet cash flows

The table below summarises the future cash outflow commitments as at 31 December:

in CHF	No later than 1 year	1 to 5 years	Above 5 years	Total
As at 31 December 2019				
Loan commitments	28,648,000	–	–	28,648,000
Operating lease commitments	N.A.	N.A.	N.A.	N.A.
Total	**28,648,000**	**–**	**–**	**28,648,000**
As at 31 December 2018				
Loan commitments	28,886,000	–	–	28,886,000
Operating lease commitments	2,111,293	5,160,091	2,879,808	10,151,192
Total	**30,997,293**	**5,160,091**	**2,879,808**	**39,037,192**

Loan commitments

Swiss banking law and the deposit insurance scheme require Swiss banks and securities dealers to jointly guarantee an amount up to CHF 6 billion for privileged deposits in the event a Swiss bank or a securities dealer becomes insolvent. As per FINMA guidelines, the payment obligation of the Group has to be recognised for as an irrevocable commitment under the off-balance sheet transactions.

Operating lease commitments

Following the adoption of IFRS 16 "Lease", a new on-balance sheet accounting model was implemented for leases. Reference is made to Section III A.

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Section VI: Financial risk management

H Market risk

Market risk is the risk that fair values or future cash flows of financial instruments will fluctuate because of changes in market conditions. The Group does not enter into proprietary trading positions based on expectations of future market improvements.

In the context of its activities, market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements as well as changes in the level of volatility of market rates or prices such as:

- Foreign exchange risk;
- Interest rate risk;
- Equity market risk;
- Issuer credit risk;
- Market liquidity risk.

Single transactions may also be exposed to a number of different market risks.

The Group devotes significant resources to ensure that market risks are comprehensively captured, accurately modelled and reported and effectively managed. Trading and non-trading portfolios are managed at various organisational levels. The Group uses market risk measurement and management methods designed to meet or exceed industry standards.

H1 Foreign exchange risk

The Group is exposed to two main sources of foreign exchange risk.

Transactional foreign exchange risk

Foreign exchange risk represents exposures to changes in the value of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include for example foreign investments, foreign currency denominated loans and future cash flows in foreign currencies. The Board sets limits on the level of exposure by currency and in aggregate which are monitored daily.

Leveraged forex business

Foreign exchange risk arises from leveraged forex activities and clients trading foreign currencies and foreign designated securities.

The Group predominantly operates an agency model to execute client trades as it is considered as fundamental in the core business model philosophy. However, all client exposures are not immediately hedged and the Group may have a residual net position in any of the foreign currency pairs in which the Group offers leveraged forex. The Group has set up foreign exchange limits with the aim to optimise the efficiency of the operations and does not take own positions outside this scope. These limits are defined with reference to the expected volatility and liquidity of the corresponding foreign currency pairs. The real-time systems target to maximise the level of internal hedging arising from the client base (internalisation of the transaction flow) and monitor the foreign exchange exposure against the defined limits. If exposure exceeds these limits, hedging is undertaken to adjust the exposure within the limit.

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Section VI: Financial risk management

H1 Foreign exchange risk (continued)

The table below summarises the Group's exposure to foreign currency risk as at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

in CHF	CHF	USD	EUR	Others	Total
As at 31 December 2019					
Assets					
Cash and balances with central banks	2,818,764,949	21,401	52,318,123	14,177	2,871,118,650
Treasury bills and other eligible bills	257,312,564	95,656,065	53,194,035	33,044,055	439,206,719
Due from banks	1,363,923,303	395,840,118	235,727,382	163,939,150	2,159,429,953
Derivative financial instruments	15,222,553	51,011,296	1,504,397	30,020,772	97,759,018
Trading assets	2,414,221	1,466,917	2,055,256	13,057	5,949,451
Loans	142,438,139	77,396,136	99,235,216	19,602,712	338,672,203
Investment securities	166,997,556	128,804,906	39,133,814	–	334,936,276
Other assets	8,357,098	7,092,010	7,140,966	3,711,562	26,301,636
Total financial assets	**4,775,430,383**	**757,288,849**	**490,309,189**	**250,345,485**	**6,273,373,906**
Liabilities					
Deposits from banks	14,462,273	33,480,422	57,289,530	24,688,169	129,920,394
Derivative financial instruments	29,902,043	18,663,062	6,948,615	3,427,104	58,940,824
Due to customers	2,516,810,455	1,630,862,591	1,254,931,509	410,919,954	5,813,524,509
Other liabilities	71,121,397	2,313,383	8,587,208	4,102,190	86,124,178
Total financial liabilities	**2,632,296,168**	**1,685,319,458**	**1,327,756,862**	**443,137,417**	**6,088,509,905**
Net	**2,143,134,215**	**(928,030,609)**	**(837,447,673)**	**(192,791,932)**	**184,864,001**
Off-balance sheet notional position and credit commitments	(1,933,292,453)	929,201,751	838,088,131	194,650,571	28,648,000
Net exposure	**209,841,762**	**1,171,142**	**640,458**	**1,858,639**	**213,512,001**

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Section VI: Financial risk management

H1 Foreign exchange risk (continued)

The table below summarises the Group's exposure to foreign currency risk as at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

in CHF	CHF	USD	EUR	Others	Total
As at 31 December 2018					
Assets					
Cash and balances with central banks	3,612,084,167	33,270	44,307	10,743	3,612,172,487
Treasury bills and other eligible bills	235,625,071	72,383,563	23,707,468	14,403,897	346,119,999
Due from banks	392,314,779	171,514,045	63,823,776	29,735,708	657,388,308
Derivative financial instruments	9,890,025	29,037,456	967,837	17,574,532	57,469,850
Trading assets	–	333,974	2,457,516	–	2,791,490
Loans	109,610,105	60,459,165	91,694,218	9,424,543	271,188,031
Investment securities	157,894,200	112,001,131	47,395,443	1,007,306	318,298,080
Other assets	10,096,547	4,993,466	983,274	15,798,828	31,872,115
Total financial assets	**4,527,514,894**	**450,756,070**	**231,073,839**	**87,955,557**	**5,297,300,360**
Liabilities					
Deposits from banks	23,264,225	53,101,498	93,505,200	39,333,892	209,204,815
Derivative financial instruments	16,936,442	15,883,598	139,937	2,792,224	35,752,201
Due to customers	2,228,236,572	1,290,058,926	1,046,509,889	217,889,569	4,782,694,956
Other liabilities	53,492,538	2,551,218	646,032	2,582,707	59,272,495
Total financial liabilities	**2,321,929,777**	**1,361,595,240**	**1,140,801,058**	**262,598,392**	**5,086,924,467**
Net	**2,205,585,117**	**(910,839,170)**	**(909,727,219)**	**(174,642,835)**	**210,375,893**
Off-balance sheet notional position and credit commitments	(1,954,051,703)	911,484,196	909,720,114	171,884,585	39,037,192
Net exposure	**251,533,414**	**645,026**	**(7,105)**	**(2,758,250)**	**249,413,085**

Off-balance sheet positions include lease commitments of CHF 10,151,192 denominated in CHF, EUR and other currencies.

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Section VI: Financial risk management

H2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fluctuations of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

in CHF	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As at 31 December 2019					
Assets					
Cash and balances with central banks	2,871,118,650	–	–	–	2,871,118,650
Treasury bills and other eligible bills	221,348,174	217,858,545	–	–	439,206,719
Due from banks	1,731,406,496	416,872,532	10,856,500	294,425	2,159,429,953
Derivative financial instruments	84,007,056	10,210,753	3,541,209	–	97,759,018
Trading assets	5,949,451	–	–	–	5,949,451
Loans	313,042,812	–	25,629,391	–	338,672,203
Investment securities	50,842,436	96,438,055	140,001,022	47,654,763	334,936,276
Other assets	26,301,636	–	–	–	26,301,636
Total financial assets	**5,304,016,711**	**741,379,885**	**180,028,122**	**47,949,188**	**6,273,373,906**
Liabilities					
Deposits from banks	129,920,394	–	–	–	129,920,394
Derivative financial instruments	40,769,939	14,739,260	3,431,625	–	58,940,824
Due to customers	5,813,339,435	185,074	–	–	5,813,524,509
Other liabilities	73,413,650	47,788	1,648,163	11,014,577	86,124,178
Total financial liabilities	**6,057,443,418**	**14,972,122**	**5,079,788**	**11,014,577**	**6,088,509,905**
Net	**(753,426,707)**	**726,407,763**	**174,948,334**	**36,934,611**	**184,864,001**
Off-balance sheet	–	–	–	–	–
Net exposure	**(753,426,707)**	**726,407,763**	**174,948,334**	**36,934,611**	**184,864,001**

H2 Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

in CHF	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
As at 31 December 2018					
Assets					
Cash and balances with central banks	3,612,172,487	–	–	–	3,612,172,487
Treasury bills and other eligible bills	139,581,041	206,538,958	–	–	346,119,999
Due from banks	600,797,844	56,590,464	–	–	657,388,308
Derivative financial instruments	56,469,525	1,000,325	–	–	57,469,850
Trading assets	2,791,490	–	–	–	2,791,490
Loans	263,690,219	–	7,497,812	–	271,188,031
Investment securities	94,939,463	79,102,323	136,978,826	7,277,468	318,298,080
Other assets	30,708,304	1,163,811	–	–	31,872,115
Total financial assets	**4,801,150,373**	**344,395,881**	**144,476,638**	**7,277,468**	**5,297,300,360**
Liabilities					
Deposits from banks	209,204,815	–	–	–	209,204,815
Derivative financial instruments	34,788,386	963,815	–	–	35,752,201
Due to customers	4,782,342,644	352,312	–	–	4,782,694,956
Other liabilities	59,272,495	–	–	–	59,272,495
Total financial liabilities	**5,085,608,340**	**1,316,127**	–	–	**5,086,924,467**
Net	**(284,457,967)**	**343,079,754**	**144,476,638**	**7,277,468**	**210,375,893**
Off-balance sheet	–	–	–	–	–
Net exposure	**(284,457,967)**	**343,079,754**	**144,476,638**	**7,277,468**	**210,375,893**

H3 Sensitivity analysis on foreign exchange rate risk and interest rate risk

a Analysis of sensitivity to foreign exchange risk

A sensitivity analysis has been performed on the basis of a 5.0% variation of CHF currency against USD, EUR and all other currencies as this is considered as reasonably possible.

in CHF thousand

As at 31 December 2019	Sensitivity analysis		
+ 5% variation	USD	EUR	Others
Net impact before income tax expense	59	32	93
– 5% variation			
Net impact before income tax expense	(59)	(32)	(93)

in CHF thousand

As at 31 December 2018	Sensitivity analysis		
+ 5% variation	USD	EUR	Others
Net impact before income tax expense	32	–	(138)
– 5% variation			
Net impact before income tax expense	(32)	–	138

The sensitivity analysis assumes normal market conditions, in particular with regard to liquidity and volatility and factors that automatic close-out system used by the Group for leveraged product offering povides sufficient degree of protection to eliminate the risk that client losses exceed margin deposits. The sensitivity analysis did not result materialy in other changes in equity (2018: unchanged).

H3 Sensitivity analysis on foreign exchange rate risk and interest rate risk (continued)

b Analysis of sensitivity to interest rate risk

An interest rate risk sensitivity analysis has been performed on the basis of 1.0% variation in interest rate (100 basis points) as this is considered as reasonably possible. The analysis includes the impacts of variation in profitability (interest income) for the assumed change in interest rates as well as the fluctuations in the net present value of positions brought about by interest rates.

	Sensitivity analysis			
	– 100 basis points		+ 100 basis points	
in CHF thousand As at 31 December 2019	Income statement (profitability effect)	Equity (net present value effect)	Income statement (profitability effect)	Equity (net present value effect)
CHF	1,331	39	9,948	(38)
EUR	(303)	7	7,167	(6)
USD	(11,574)	2	7,828	(2)
Others	(3,549)	–	2,895	–
Total impact before income tax expense	**(14,095)**	**48**	**27,838**	**(46)**
Income tax expense	1,973	–	(3,897)	–
Total impact after income tax expense	**(12,122)**	**48**	**23,941**	**(46)**
As at 31 December 2018	(26,534)	113	22,344	(112)

The results of the sensitivity analysis may be dependent on the negative interest environment and related decisions made by the Group with regard to their repercussion on client accounts conditions.

H4 Equity market risk

Equity market risk arises from trading assets, investment securities (FVTPL) and certain contract for differences (derivative financial instruments) offered to clients.

Trading assets mainly comprise of units in investment funds mainly invested in stocks included in major stock indices and a portfolio of equities listed on the SIX Swiss Exchange.

Contract for differences (derivative financial instruments) are based on underlying stock indices on world stock markets. As not all of these products can be processed on agency model trades, the Group uses future contracts to hedge CFD positions on a net basis.

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Section VI: Financial risk management

H5 Issuer credit risk

Issuer credit risk represents exposure to changes in the creditworthiness of individual issuers or groups of issuers. The Group investment securities portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads.

H6 Market liquidity risk

Market liquidity risk represents the risk that the level of expected market activity changes dramatically and, in certain cases, may even cease to exist. This situation results in the inability for a market participant to liquidate a position in a timely manner at a reasonable price. The effects of market liquidity risk can result into a price impact of trading activity (bid-ask spreads) and/or a postponed trading execution. This exposes the Group to the risk that it will not be able to transact business and execute trades in an orderly manner which may impact the results and/or client account balances. This impact could be exacerbated if expected hedging, pricing correlations or risk management systems are compromised by the disproportionate demand or lack of demand for certain instruments.

I Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events, including cyber risk and data confidentiality.

Operational risk is an inevitable consequence of being in business and managing this risk is a core element of the Group activities, implemented through a conceptual framework and an effective risk function. In September 2016, FINMA issued the Circular 2017/1 on corporate governance, risk management and internal controls at banks. The circular sets out the duties and responsibilities and defines requirements for the design of a relevant risk management framework and an internal control framework. At the same time, FINMA introduced new principles on IT and cyber risks in the Circular 2008/21 on operational risk.

Operational risk includes, among other things, technology risk as the Group is heavily dependent on technology to supply its services to clients and to run its internal processes. Technology risk is managed under the supervision of the Chief Technology Officer with independent oversight of the Chief Risk Officer. Information security is managed by a dedicated information security team. The Group undertakes regular penetration tests to detect vulnerabilities and receives advice on emerging threats from external experts.

I1 Fiduciary activities

The Group provides fiduciary capacities that result in the holding or placing of assets on behalf of clients. These services are mainly rendered through its web portal and therefore the Group is exposed to the operational risks associated with the use of this technology. At the balance sheet date, the Group clients' financial assets under custody, excluding cash portion, amount to CHF 24.4 billion (2018: CHF 18.1 billion) while fiduciary placements with third-party institutions amount CHF 388.9 million (2018: CHF 353.8 million).

I2 Cryptocurrencies/crypto assets trading and custody services

Transactions on cryptocurrencies are settled through processes that are dependent on a peer-to-peer network. A cryptocurrency, or some fraction of it, is a chain of digital signatures stored in a public ledger called the blockchain. Possession and control over a particular cryptocurrency holding is synonymous with having knowledge of one or more private keys that are linked to one or more public addresses.

These particular characteristics make cryptocurrencies a target for cyberattacks because the stolen data has instant value and transactions are not reversible. These vulnerabilities are managed by the Group for the cryptocurrencies it holds in direct custody through effective security encompassing not only cybersecurity but as well the establishment of recognised security standards for offline (cold) cryptocurrencies storage and multi-signature wallets. Cold storage involves placing the private keys in an offline media, such as disconnected computer memory. Multi-signature wallets involve assigning cryptocurrencies to public addresses that are linked to multiple private keys, each separately stored, subset of which are needed to effectuate any transfer. To access the cryptocurrencies network, the Group considered Bitstamp.net as an intermediary to be its principal market and third-party custodian. Bitstamp Europe SA is regulated by Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg and is audited by reputable audit firm according to IFRS standards. When selecting an intermediary in the field of cryptocurrencies, the Group reviews in particular its creditworthiness, its reputation and the reputation of the country of domicile. In that context, the Group considers Bitstamp.net as an appropriate counterparty for the cryptocurrencies services offered to customers.

Notes to the consolidated financial statements

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Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

1 Cash and cash equivalents

in CHF	2019	2018
Cash and balances with central banks	2,871,118,650	3,612,172,487
Treasury bills and other eligible bills	439,206,719	346,119,999
Due from banks	2,159,429,953	657,388,308
Deposits from banks	(129,920,394)	(209,204,815)
Total net	**5,339,834,928**	**4,406,475,979**
Less: treasury bills and other eligible bills (above 3 months)	(217,858,545)	(206,538,958)
Less: due from banks (above 3 months)	(428,023,457)	(56,590,464)
Plus: impairement allowance (IFRS 9)	1,331,117	735,300
Cash and cash equivalents as at 31 December	**4,695,284,043**	**4,144,081,857**

Cash and balances with central banks comprise of CHF 2.8 billion deposits with Swiss National Bank (2018: CHF 3.6 billion) and of CHF 52.3 million with Banque centrale du Luxembourg (member of the European System of Central Banks) (2018: nil).

Treasury bills and other eligible bills comprise of CHF 250.8 million of short-term receivables (below 12 months) from Swiss municipalities and cantons (2018: 233.0 million).

The Group has relationships with a number of banking counterparties that provide banking services (such as prime brokerage, custodian services, etc.). In that context, Due from banks comprise of CHF 439.0 million (2018: CHF 400.5 million) of cash collateral deposits in favour of third-party banks that are used to provide access to certain exchanges and markets. In the meantime, Due from banks comprise of short-term interbank deposits (such as reverse repurchase transactions) and long-term interbank deposits (above 3 months).

Deposits from banks are mainly related to cash deposits made by third-party banks which benefit from trading venues as institutional customers of the Group.

2 Derivative financial instruments

in CHF	Fair value		Contract notional amount
	Assets	Liabilities	
Derivatives held for trading			
Foreign exchange swaps	5,334,869	(28,506,382)	2,420,808,588
Currency options	280,882	(280,882)	5,502,454
Currency forwards	58,970,825	(22,752,451)	4,361,913,475
Precious-metals forwards	13,793,365	(2,485,382)	597,052,384
CFD derivatives (indices and commodities)	19,379,077	(4,915,727)	880,996,619
Total derivatives held for trading	**97,759,018**	**(58,940,824)**	**8,266,273,520**
Derivatives held for hedging			
Derivatives designated as fair value hedge:			
Interest rate futures	–	–	–
Total derivatives held for hedging	–	–	–
Total as at 31 December 2019	**97,759,018**	**(58,940,824)**	**8,266,273,520**

Currency forwards, precious-metals forwards and CFD derivatives are related to clients' transactions. Foreign exchange swaps and currency options are related to the Group's own transactions.

in CHF	Fair value		Contract notional amount
	Assets	Liabilities	
Derivatives held for trading			
Foreign exchange swaps	2,532,516	(13,376,997)	2,286,584,024
Currency options	91,608	(91,608)	4,148,853
Currency forwards	41,416,049	(9,451,556)	636,106,728
Precious-metals forwards	9,046,958	(10,903,087)	231,608,492
CFD derivatives (indices and commodities)	4,382,719	(1,928,953)	47,336,268
Total derivatives held for trading	**57,469,850**	**(35,752,201)**	**3,205,784,365**
Derivatives held for hedging			
Derivatives designated as fair value hedge:			
Interest rate futures	–	–	–
Total derivatives held for hedging	–	–	–
Total as at 31 December 2018	**57,469,850**	**(35,752,201)**	**3,205,784,365**

Currency forwards, precious-metals forwards and CFD derivatives are related to clients' transactions. Foreign exchange swaps and currency options are related to the Group's own transactions.

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Section VII: Other notes to the consolidated financial statements

3 Trading assets

in CHF	2019	2018
European equities investment funds	2,000,273	2,362,881
Swiss equities	2,372,946	–
Funds and others trading assets	1,576,232	428,609
Total as at 31 December	**5,949,451**	**2,791,490**

Trading assets mainly comprise of units in investment funds mainly invested in stocks included in major stock indices and a portfolio of equities listed on the SIX Swiss Exchange.

4 Due from banks and loans

in CHF	2019	2018
Due from banks	2,161,342,184	658,535,974
Impairment allowance	(1,912,231)	(1,147,666)
Total due from banks as at 31 December	**2,159,429,953**	**657,388,308**
Loans	368,949,826	299,232,894
Impairment allowance	(30,277,623)	(28,044,863)
Total loans as at 31 December	**338,672,203**	**271,188,031**

Loans mainly consist of advances covered by the pledging of the customers portfolio consisting of cash and securities (Lombard loans). As at 31 December 2019, Loans include a balance of CHF 25.6 million (2018: CHF 7.5 million) related to loans to Swiss municipalities with maturity above 12 months.

5 Investment securities

in CHF	31 December 2019	
	Carrying value	Fair value
FVTPL	3,983,593	3,983,593
FVOCI & FVOCI equities	21,379,018	21,379,018
Amortised cost	309,573,665	313,168,792
Total as at 31 December	**334,936,276**	**338,531,403**

in CHF	31 December 2018	
	Carrying value	Fair value
FVTPL	22,735,700	22,735,700
FVOCI & FVOCI equities	101,778,358	101,778,358
Amortised cost	193,784,022	198,187,168
Total as at 31 December	**318,298,080**	**322,701,226**

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Section VII: Other notes to the consolidated financial statements

6 Intangible assets and business combination

in CHF	Goodwill	Customer relationships	Total
Gross value			
As at 1 January 2018	38,989,066	3,300,000	42,289,066
Addition	–	–	–
As at 31 December 2018	38,989,066	3,300,000	42,289,066
Addition	6,040,390	–	6,040,390
Currency translation differences	(246,813)	–	(246,813)
As at 31 December 2019	**44,782,643**	**3,300,000**	**48,082,643**
Accumulated depreciation			
As at 1 January 2018	–	(2,000,376)	(2,000,376)
Depreciation/amortisation	–	(177,221)	(177,221)
As at 31 December 2018	–	(2,177,597)	(2,177,597)
Depreciation/amortisation	–	(177,221)	(177,221)
As at 31 December 2019	**–**	**(2,354,818)**	**(2,354,818)**
Net book value as at 31 December 2019	**44,782,643**	**945,182**	**45,727,825**
Net book value as at 31 December 2018	38,989,066	1,122,403	40,111,469

6 Intangible assets and business combination (continued)

Acquisition of Internaxx Bank S.A. in Luxembourg

Following the signature of the sale and purchase agreement on 6 August 2018, the Group could complete on 22 March 2019 the acquisition of 100% of the ordinary share capital of Internaxx Bank S.A. (Internaxx), a fully licensed bank incorporated in Luxembourg since 2001 after receiving the regulatory approval from the European Central Bank and the Commission de Surveillance du Secteur Financier (CSSF). Internaxx is a provider of self-directed investment brokerage services predominantly to a niche market of international and expatriate investors (assets under custody: CHF 2.4 billion as at 31 December 2019).

Across its history, Internaxx went through various changes in its shareholding structure and its brand name (successively Internaxx Bank S.A. until 2012, TD Bank International SA from 2012 until 2016 and Internaxx Bank S.A. again since 2017). During the first quarter 2020, Internaxx has been renamed Swissquote Bank Europe SA. From 2013 to 2016, Internaxx has been loss making, but since its acquisition by Interactive Investors Ltd (the Seller) in 2017 it was able to return to profitability and is expected to further grow in future years if the product and service offering is expanded.

The acquisition of Internaxx is a strategic step for the Group to get unrestricted access to the European market (previously not available to the Group) and to consolidate its standing as the online bank of first choice for international clients. Swissquote has the resources, the scale and the technology to support Internaxx's business model and to complement new products and services.

Consideration agreed for the acquisition was EUR 27.7 million (CHF 31.4 million) and was paid fully in cash at closing date. Internaxx entered into the scope of consolidation of the Group since this date.

The result of the acquisition is detailed as follows:

	Fair value
Cash and balances with central banks	68,355,149
Due from banks[1]	398,140,117
Loans	23,791,724
Investment securities	2,686,542
Deferred income tax assets	1,772,164
Information technology systems	121,866
Property, plant and equipment	5,246,151
Other assets	3,453,853
Deposits from banks	(3,090,284)
Due to customers	(466,229,518)
Other liabilities	(8,841,482)
Current income tax liabilities	(93,042)
Net assets acquired	**25,313,240**
Goodwill (intangible assets)	6,040,390
Total consideration	**31,353,630**
Of which satisfied by cash	31,353,630
Purchase consideration settled in cash	31,353,630
Cash and cash equivalents in subsidiary acquired	304,748,276
Cash inflow on acquisition	273,394,646
Acquisition-related costs (included in operating expenses in 2018)	(842,961)

[1] Due from banks include balances with banks and brokers.

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6 Intangible assets and business combination (continued)

The Group initially measured separately the recognisable identified assets acquired and the liabilities assumed as of the acquisition date in accordance with the requirement of IFRS 3.

The total identifiable consolidated net assets of Internaxx have been measured at CHF 25.3 million.

The goodwill has been valued at EUR 5.3 million (CHF 6.0 million at acquisition date). None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill, treated as an asset of the foreign operation, is subject to currency translation differences. Since closing date, the ordinary operations of Internaxx provided the Group with additional operating income of CHF 10.0 million and additional net profit of CHF 1.8 million.

Since 1 January 2019, the statutory financial statements of Internaxx show operating income of CHF 12.9 million and net profit of CHF 2.4 million (Lux GAAP).

The Group performed impairment tests of goodwill at the end of the financial year 2019 and 2018. For the purpose of impairment testing, goodwill has been allocated to the relevant cash-generating unit which is expected to benefit from the synergies of the corresponding business combination.

The impairment tests are based on calculations of value in use. Cash flow projections are based on actual operating results and cash flow projections based on financial budgets. Cash beyond the considered period are extrapolated using estimated long-term growth rates (if applicable). Future cash flows are discounted based on the weighted average cost of capital (WACC) or cost of equity respectively, taking into account risks that are specific to the cash-generating unit tested for impairment and historical industry average. As at 31 December 2019, the discount rates used were based on relevant observable market long-term government bonds plus a risk premium.

Key elements used for value-in-use calculations of intangible assets are:

Type	Goodwill	Goodwill
Date of acquisition	2010, 2013	2019
Business acquired	ACM Advanced Currency Markets Ltd MIG Bank Ltd	Internaxx Bank S.A.
Carrying amount	CHF 38,989,066	CHF 5,793,577
Depreciation method	Indefinite useful life	Indefinite useful life
Reportable segment	Leveraged forex (eForex)	Securities trading
Cash-generating units (CGUs)	Leveraged forex (eForex)	Internaxx Bank S.A.
Basis for recoverable amount	Value in use	Value in use
Cash flow projections	5 years + terminal value	8 years + terminal value
Long-term growth rate of free cash flows	1.00%	1.00%
Discount rate	8.52% (2018: 6.06%)	9.97% (2018: N.A.)
Other important assumptions	Transaction volume Revenue margin (CHF per million of volume) Net revenues Operating costs	Number of trades Commission per trade Net interest income Operating costs

The Group has determined the values assigned to each of the above key elements based on past performance and expectation of market development and industry trends. The Group recognised that the speed of technological change, the implementation of new regulations and the possibility of new entrants can have an impact on growth rate assumptions.

As at 31 December 2019, the estimated recoverable amount exceeds the carrying amount (2018: same).

Sensitivity analysis

The Group performed sensitivity analysis by considering and assessing reasonably possible changes for key assumptions. Reasonably possible changes in the cash flow projections or discount rate used for value-in-use calculations would not have resulted in the carrying amount exceeding the recoverable amount. Moreover, the recoverable amount remained higher than the carrying amount with long-term growth-rate reduced to zero.

7 Information technology systems

in CHF	Software third-party licences	Proprietary software	Hardware & telecom systems	Total
Gross value				
As at 1 January 2018	5,053,684	76,335,378	8,209,206	89,598,268
Addition	665,765	21,833,287	1,998,300	24,497,352
Other changes	(403,444)	(5,589,082)	(880,131)	(6,872,657)
As at 31 December 2018	**5,316,005**	**92,579,583**	**9,327,375**	**107,222,963**
Addition	2,774,855	20,216,981	1,969,643	24,961,479
Addition through acquisition	121,866	–	–	121,866
Other changes	(1,046,662)	(13,762,899)	(1,651,556)	(16,461,117)
As at 31 December 2019	**7,166,064**	**99,033,665**	**9,645,462**	**115,845,191**
Accumulated depreciation				
As at 1 January 2018	(2,250,350)	(37,259,761)	(5,150,286)	(44,660,397)
Depreciation/amortisation	(887,851)	(15,404,366)	(1,711,316)	(18,003,533)
Other changes	403,444	5,589,082	880,131	6,872,657
As at 31 December 2018	**(2,734,757)**	**(47,075,045)**	**(5,981,471)**	**(55,791,273)**
Depreciation/amortisation	(1,155,485)	(17,598,684)	(2,069,942)	(20,824,111)
Other changes	1,046,662	13,762,899	1,651,556	16,461,117
As at 31 December 2019	**(2,843,580)**	**(50,910,830)**	**(6,399,857)**	**(60,154,267)**
Net book value as at 31 December 2019	**4,322,484**	**48,122,835**	**3,245,605**	**55,690,924**
Net book value as at 31 December 2018	2,581,248	45,504,538	3,345,904	51,431,690

Proprietary software comprises of software development costs and purchased software in connection with the design and improvements of the products, services and systems of the Group. As at 31 December 2019, additions to information technology systems include an amount of CHF 13.1 million (2018: CHF 13.5 million) representing own costs capitalised according to IAS 38.

Other changes of CHF 16.5 million (2018: CHF 6.9 million) are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use.

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8 Property, plant and equipment

in CHF	Land and building	Right-of-use assets	Leasehold improvements	Equipments	Total
Gross value					
As at 1 January 2018	73,133,682	–	2,412,146	2,564,417	78,110,245
Changes in accounting policies	(1,403,208)	–			(1,403,208)
Restated balance as at 1 January 2018	**71,730,474**	**–**	**2,412,146**	**2,564,417**	**76,707,037**
Addition	44,119	–	965,399	683,834	1,693,352
Other changes	–	–	(577,664)	(407,193)	(984,857)
As at 31 December 2018	**71,774,593**	**–**	**2,799,881**	**2,841,058**	**77,415,532**
Changes on initial application of IFRS 16	–	9,169,162	–	–	9,169,162
Restated balance as at 1 January 2019	**71,774,593**	**9,169,162**	**2,799,881**	**2,841,058**	**86,584,694**
Addition	154,933	702,169	880,066	324,480	2,061,648
Addition through acquisitions	–	4,898,479	–	347,672	5,246,151
Other changes	–	–	(317,202)	(425,523)	(742,725)
As at 31 December 2019	**71,929,526**	**14,769,810**	**3,362,745**	**3,087,687**	**93,149,768**
Accumulated depreciation					
As at 1 January 2018	(12,844,092)	–	(1,892,074)	(1,801,696)	(16,537,862)
Depreciation/amortisation	(2,261,477)	–	(322,315)	(244,168)	(2,827,960)
Other changes	–	–	577,664	407,193	984,857
As at 31 December 2018	**(15,105,569)**	**–**	**(1,636,725)**	**(1,638,671)**	**(18,380,965)**
Depreciation/amortisation	(2,260,838)	(2,161,597)	(320,677)	(312,418)	(5,055,530)
Other changes	–	–	317,202	425,523	742,725
As at 31 December 2019	**(17,366,407)**	**(2,161,597)**	**(1,640,200)**	**(1,525,566)**	**(22,693,770)**
Net book value as at 31 December 2019	**54,563,119**	**12,608,213**	**1,722,545**	**1,562,121**	**70,455,998**
Net book value as at 31 December 2018	56,669,024	–	1,163,156	1,202,387	59,034,567

Right-of-use assets represent the right, as a lessee, to use the underlying assets under IFRS 16. Reference is made to Section III A.

As at 31 December 2019, right-of-use assets comprise of CHF 12.4 relating to buildings and CHF 0.2 million relating to vehicules.

Other changes of CHF 0.7 million (2018: CHF 1.0 million) are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use.

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9 Other assets

	2019	2018
in CHF		
Accrued income	8,623,107	6,811,703
Prepaid expenses	4,956,809	4,754,488
Recoverable withholding tax	1,783,537	866,055
Trade receivables	10,938,183	19,439,869
Precious metals	23,992,647	–
Total as at 31 December	**50,294,283**	**31,872,115**

10 Due to customers

	2019	2018
in CHF		
Securities trading accounts	5,101,990,493	4,132,636,816
Saving accounts	264,511,382	284,820,712
Leveraged forex accounts	447,022,634	365,237,428
Total as at 31 December	**5,813,524,509**	**4,782,694,956**

Securities trading accounts include an amount of CHF 455.68 million coming from Internaxx Bank S.A. (2018: nil).

11 Other liabilities

in CHF	2019	2018
Accrued expenses	31,641,997	26,473,229
Account payables	10,497,773	6,547,472
Social security, pension plan and other social charges	21,453,051	17,730,427
Withholding tax to be paid and other taxes	7,673,555	6,951,567
Deferred revenues	2,147,273	1,569,800
Lease liabilities [1]	12,710,529	–
Total as at 31 December	**86,124,178**	**59,272,495**

[1] Introduction of IFRS 16.

12 Taxation

a Deferred income tax assets

	Sources of deferred taxes			
in CHF	Pension-plan-related provision	Tax losses carried forward	Other temporary differences	Total
Balance as at 1 January 2018	1,297,620	–	85,939	1,383,559
In connection with remeasurement of defined benefit obligation	485,519	–	–	485,519
In connection with remeasurement of impairment allowance	–	–	48,532	48,532
In connection with change in tax rate	(288,361)	–	(19,094)	(307,455)
Balance as at 31 December 2018	**1,494,778**	**–**	**115,377**	**1,610,155**
In connection with remeasurement of defined benefit obligation	1,069,180	–	–	1,069,180
In connection with tax losses carried forward from acquired subsidiaries	–	478,601	–	478,601
In connection with fair-valued assets from acquired subsidiaries	–	–	239,458	239,458
In connection with remeasurement of impairment allowance and other accounting policies	–	–	69,364	69,364
Balance as at 31 December 2019	**2,563,958**	**478,601**	**424,199**	**3,466,758**

in CHF	2019	2018
Difference in connection with remeasurement of pension plan	2,563,958	1,494,778
Difference in connection with tax losses carried forward	478,601	–
Fair-valued assets at date of acquisition of subsidiaries (PPE and others)	239,458	–
Difference in connection with remeasurement of impairment allowance and other accounting policies	184,741	115,377
Total	**3,466,758**	**1,610,155**

12 Taxation (continued)

a Deferred income tax assets (continued)

The Corporate Tax Reform ("CTRIII") entered into force on 1 January 2019 in the Canton of Vaud, without waiting for the Federal Act on Tax Reform and AHV Financing ("TRAF") that is effective from 1 January 2020.

As a result, from 2019 and ahead of the changes of the future mechanisms of TRAF, the corporate tax rate for legal entities domiciled in Canton of Vaud decreased to 13.79% (2018: 22.3%).

Starting 1 January 2020 with the introduction of TRAF, the Swiss cantons have the possibility to promote Swiss-based R&D activities and to give the option to apply a super-deduction for Swiss R&D expenses up to a maximum of 150% of qualifying expenditures. If adopted, this measure could benefit the Group in the future.

b Deferred tax liabilities

	Sources	
in CHF	Temporary differences	Total
Balance as at 1 January 2018	1,305,899	1,305,899
Change in applicable tax rate	(290,200)	(290,200)
Depreciation of fair-valued assets at date of acquisition of subsidiaries	(24,811)	(24,811)
Differences in the capitalisation, depreciation and other accounting policies	(50,818)	(50,818)
Balance as at 31 December 2018	**940,070**	**940,070**
Depreciation of fair-valued assets at date of acquisition of subsidiaries	(24,811)	(24,811)
Differences in the capitalisation, depreciation and other accounting policies	21,901	21,901
Balance as at 31 December 2019	**937,160**	**937,160**

in CHF	2019	2018
Fair-valued assets at date of acquisition of subsidiaries (business combination)	445,365	470,176
Differences in the capitalisation, depreciations and other accounting policies [1]	491,795	469,894
Total as at 31 December	**937,160**	**940,070**

[1] Differences in the capitalisation, depreciation and other accounting policies come from the differences between IFRS and the accounting rules set out for banks by FINMA (ARB-FINMA).

12 Taxation (continued)

c Current income tax liabilities

in CHF	2019	2018
Related to parent company	622,358	1,857,513
Related to Swissquote Bank Ltd	2,127,553	2,940,109
Related to other subsidiaries	163,854	5,020
Total as at 31 December	**2,913,765**	**4,802,642**

As at 31 December 2019, unrecognised tax loss carryforwards represented an equivalent amount of CHF 1.9 million and have no expiry date (2018: CHF 1.2 million). The level of recognised tax assets depends on assumptions regarding available future taxable profits that are eligible for offset in the same jurisdictions and the ability of the consolidated subsidiary to take benefit of the underlying losses. The amount of unrecognised tax loss carryforwards is subject to foreign exchange differences.

d Income tax expense

in CHF	2019	2018
Current-year income tax expense	6,830,516	9,399,463
Change in deferred income tax assets	(892,983)	117,275
Change in deferred tax liabilities	(2,910)	(358,980)
Total	**5,934,623**	**9,157,758**

Changes in deferred income tax assets and deferred tax liabilities may impact the income statement or statement of comprehensive income.

in CHF	2019	2018
Reconciliation of taxes		
Operating profit	50,588,268	53,760,990
Income tax expense computed at average tax rate in Switzerland (2019: 14.0% – 2018: 17.1%)	7,082,358	9,193,129
Increase/(decrease) in income taxes resulting from:		
Lower taxed income	(478,481)	(689,334)
Non-Swiss tax rates differing from Swiss tax rate	459,925	–
Tax effect of losses not recognised in foreign locations	(510,060)	(49,001)
Non-deductible tax expenses	170,656	370,796
Additional taxable income	60,225	1,170,366
Remeasurement of deferred tax – change in tax rate	–	61,802
Tax provision release	(850,000)	(900,000)
Total	**5,934,623**	**9,157,758**

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12 Taxation (continued)

d Income tax expense

In 2019, the average tax rate was 14.0% (2018: 17.1%). The average tax rate may vary depending on the profit mix across the various jurisdictions. The Group met specific conditions that make Swissquote Bank Ltd eligible to a preferred tax rate at a Swiss cantonal level for a period maximum up to 2019 (reduction of 25% on ordinary tax rate). These conditions have been met during the full period.

During 2019, pending filings reached final resolution with relevant tax authorities and the Group estimated that an amount of CHF 0.9 million could be released in the income statement.

13 Provisions

in CHF	2019	2018
Balance as at 1 January	**4,600,527**	**2,012,911**
Increase	2,485,273	3,436,287
Used/reversed	(1,427,267)	(829,488)
Exchange differences	(68,695)	(19,183)
Balance as at 31 December	**5,589,838**	**4,600,527**
Acquisition of subsidiaries	–	194,000
Other provisions	5,589,838	4,406,527
Total as at 31 December	**5,589,838**	**4,600,527**

Other provisions relate to specific provisions for litigation, legal, regulatory and similar matters. The risk of loss associated with these matters is the result of the increasingly complex legal and regulatory environment in which the Group operates.

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14 Pension

a Pension plan

The Group operates a defined benefit plan in Switzerland and defined contribution plans in foreign locations. All plan assets are held in trusts that are governed by local regulations and practice in each country. As at 31 December 2019, the level of benefits provided to staff located in foreign locations is not relevant for financial reporting purposes of the Group and no further disclosures are provided.

In Switzerland, the Group manages a tailored pension scheme through a collective foundation, which is organised under Swiss law. The main features are the following:

- This pension plan is accounted as a defined benefit plan under IAS 19;
- The fund assets are held independently of the Group assets in separated trustee funds;
- Decisions with respect to the funds (levels of the benefits and of the contributions, as well as investment strategy) are made by a Board of Trustees in which the employees and the Group are each represented at parity;
- The pension's benefits are determined based on the contributions paid by the employees and the Group. However, in accordance with Swiss law the part of the employees' saving accounts corresponding to the minimum required by law shall be remunerated at a minimal interest rate set by the Swiss Government. In 2019, the rate was 1.00% per annum (2018: 1.00% per annum).

The main actuarial assumptions used for the calculation of the Swiss pension cost and the projected benefit obligations are as follows:

	2019	2018
Discount rate	0.35%	1.00%
Rate of future increase in compensations	1.25%	1.25%
Interest rate credited on savings accounts	1.00%	1.00%
Pension indexation	0.00%	0.00%
Inflation rate	1.00%	1.00%
Mortality tables	BVG 2015GT	BVG 2015GT
Retirement age	65 (male)/64 (female)	65 (male)/64 (female)
Turnover	12.5% on average	15% on average

Demographic assumptions (e.g. probability of death, disability or termination) are based on the technical principles set out in the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) 2015 (cohort life tables), which draw on observations of large insurance portfolios in Switzerland over a period of several years, and are adapted to reflect conditions specific to the group or empirical values where necessary.

Pension obligations and costs are presented as negative amounts.

14 Pension (continued)

b Defined benefit pension plans

in CHF thousand	Defined benefit obligation	Fair value of plan assets	Total
Total as at 1 January 2019	(50,426)	39,749	(10,677)
Service cost	(4,208)	–	(4,208)
Plan amendments	(3)	–	(3)
Interest income on plan assets/(interest cost on defined benefit obligation)	(463)	388	(75)
Administrative expense	–	(131)	(131)
Actuarial gain/(loss) of other long-term employee benefits	–	–	–
Pension cost recognised in income statement	**(4,674)**	**257**	**(4,417)**
Actuarial gain/(loss) from changes in financial assumption	(7,868)	–	(7,868)
Actuarial gain/(loss) from changes in demographic assumptions	(1,773)	–	(1,773)
Actuarial gain/(loss) from other changes	(1,573)	–	(1,573)
Return on plan assets (excluding interest income)	–	4,331	4,331
Pension cost recognised in other comprehensive income	**(11,214)**	**4,331**	**(6,883)**
Employees' contributions	(2,700)	2,700	–
Employer's contribution	–	3,663	3,663
Benefit payments	1,400	(1,400)	–
Total as at 31 December 2019	**(67,614)**	**49,300**	**(18,314)**
Of which active employees	(64,840)		
Of which pensioners	(2,774)		

in CHF thousand	Defined benefit obligation	Fair value of plan assets	Total
Total as at 1 January 2018	(43,456)	36,247	(7,209)
Service cost	(3,392)	–	(3,392)
Plan amendments	(392)	–	(392)
Interest income on plan assets/(interest cost on defined benefit obligation)	(367)	330	(37)
Administrative expense	–	(124)	(124)
Actuarial gain/(loss) of other long-term employee benefits	–	–	–
Pension cost recognised in income statement	**(4,151)**	**206**	**(3,945)**
Actuarial gain/(loss) from changes in financial assumption	1,297	–	1,297
Actuarial gain/(loss) from other changes	(1,918)		(1,918)
Return on plan assets (excluding interest income)	–	(1,946)	(1,946)
Pension cost recognised in other comprehensive income	**(621)**	**(1,946)**	**(2,567)**
Employees' contributions	(2,670)	2,670	–
Employer's contribution	–	3,044	3,044
Benefit payments	472	(472)	–
Total as at 31 December 2018	**(50,426)**	**39,749**	**(10,677)**
Of which active employees	(48,706)		
Of which pensioners	(1,720)		

14 Pension (continued)

b Defined benefit pension plans (continued)

Actuarial gains and losses arise from changes in demographic and financial assumptions as well as from experience. Benefit payments include vested benefits paid, respectively deposited in the event of employees exiting or entering the plans.

c Categories of plan assets (fair value)

in CHF thousand	2019	2018
Cash	7,798	5,021
Qualified insurance policies	312	341
Debt instruments (listed)	29,007	25,686
Equity instruments (listed)	8,624	6,613
Real estate (listed)	2,692	1,697
Commodities (listed)	867	391
Total as at 31 December	**49,300**	**39,749**

Debt instruments may include instruments such as convertible bonds and perpetual callable bonds.

d Other disclosures (risks, sensitivity analysis, duration and estimate of contributions)

Through its defined benefit plan, the Group is exposed to a number of risks. As an example, the defined benefit obligation is calculated using a discount rate set with reference to market yields. A decrease in market yield will increase plan liabilities, although this will partially be offset by an increase in the fair value of the plan assets. As at 31 December 2019, the discount rate is based on an average duration of 23.6 years, which corresponds to the modified duration calculated based on the future expected benefit payments.

Further, the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of defined benefit obligation.

As at 31 December 2019, the actuarial analysis established that an increase or a decrease of 0.25% in discount rate would lead to a maximum change of CHF 3.7 million (2018: CHF 2.3 million) in the defined benefit obligation. Other assumptions of changes do not impact the defined benefit obligation to the same extent. As an example (among others), an increase or decrease of 0.25% in interest rate credited on savings account would lead to an increase or a decrease of CHF 1.0 million (2018: CHF 0.6 million).

The estimates of Employer's contributions and Employees' contributions for 2020 are expected to be close in total to the contributions identified in 2019 under a stable Swiss headcount scenario.

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15 Equity

15.1 Share capital

a Number of shares in 2019

	1 January	Increase	Utilisation	31 December
Issued shares				
Ordinary share capital				
Number of shares	15,328,170	–	–	15,328,170
Nominal value per share (CHF)	0.20	–	–	0.20
Total nominal value (CHF)	**3,065,634**	**–**	**–**	**3,065,634**
Unissued shares				
Conditional capital				
Number of conditional shares	960,000	–	–	960,000
Nominal value per share (CHF)	0.20	–	–	0.20
Total nominal value (CHF)	**192,000**	**–**	**–**	**192,000**
Authorised capital				
Number of authorised shares	2,000,000	–	–	2,000,000
Nominal value per share (CHF)	0.20	–	–	0.20
Amount authorised (CHF)	**400,000**	**–**	**–**	**400,000**

b Number of shares in 2018

	1 January	Increase	Utilisation	31 December
Issued shares				
Ordinary share capital				
Number of shares	15,328,170	–	–	15,328,170
Nominal value per share (CHF)	0.2	–	–	0.2
Total nominal value (CHF)	**3,065,634**	**–**	**–**	**3,065,634**
Unissued shares				
Conditional capital				
Number of conditional shares	960,000	–	–	960,000
Nominal value per share (CHF)	0.2	–	–	0.2
Total nominal value (CHF)	**192,000**	**–**	**–**	**192,000**
Authorised capital				
Number of authorised shares	1,810,200	189,800	–	2,000,000
Nominal value per share (CHF)	0.2	0.2	–	0.2
Amount authorised (CHF)	**362,040**	**37,960**	**–**	**400,000**

15 Equity (continued)

15.2 Share option reserve (employee stock options plan)

a Components of share option reserve

	Share option reserve components			
in CHF	Value of services to be reclassified to retained earnings when lapsed, forfeited or exercised	Value of services to be amortised through income statement over the vesting period	2019	2018
Balance as at 1 January	2,560,582	(1,295,460)	1,265,122	1,482,727
Stock options lapsed, forfeited or exercised	(349,468)	–	(349,468)	(1,229,077)
Fair value of current-year allocation	1,387,014	(1,387,014)	–	–
Amortisation of services	–	1,218,976	1,218,976	1,011,472
Balance as at 31 December	**3,598,128**	**(1,463,498)**	**2,134,630**	**1,265,122**

The fair value of stock options granted during 2019 was CHF 1,387,014 when the Group recognised a share option expense of CHF 1,218,976.

Allocation in CHF	Tranche	Value of services to be reclassified to retained earnings when lapsed, forfeited or exercised	Value of services to be amortised through income statement over the vesting period	2019	2018
16	3/3	–	–	–	52,722
17	2/3	–	–	–	23,916
17	3/3	49,070	–	49,070	68,522
18	1/3	–	–	–	30,198
18	2/3	65,022	–	65,022	81,684
18	3/3	142,740	–	142,740	155,379
19	1/3	127,002	–	127,002	147,033
19	2/3	272,921	–	272,921	232,863
19	3/3	324,900	(66,403)	258,497	156,552
20	1/3	408,882	–	408,882	171,838
20	2/3	413,838	(123,981)	289,857	86,841
20	3/3	411,362	(219,193)	192,169	57,574
21	1/3	443,847	(269,219)	174,628	–
21	2/3	465,347	(373,678)	91,669	–
21	3/3	473,197	(411,024)	62,173	–
As at 31 December		**3,598,128**	**(1,463,498)**	**2,134,630**	**1,265,122**

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

15 Equity (continued)

15.2 Share option reserve (employee stock options plan) (continued)

b Employee stock option plan – historical allocations

The Group operates a Stock Option Plan under which it makes options in common stock available to the Group's employees and directors at the discretion of the Board. Since the creation of the Plan in 1999, a total of 21 allocation schemes have been offered. Optionees whose work contract is terminated lose their rights to options outstanding unless the Board resolves otherwise.

The terms and maturities of the non-lapsed allocations as at 31 December 2019 are summarised below.

				Exercise period		Analysis of status		
Allocation	Tranche	Strike price (CHF)	Number options	Start	End	In the money	In exercise period	In the money & exercise period
17	3/3	25.66	12,712	August 18	July 20	12,712	12,712	12,712
18	2/3	25.95	16,059	August 18	July 20	16,059	16,059	16,059
	3/3	25.95	35,426	August 19	July 21	35,426	35,426	35,426
19	1/3	34.02	24,447	August 18	July 20	24,447	24,447	24,447
	2/3	34.02	51,741	August 19	July 21	51,741	51,741	51,741
	3/3	34.02	61,817	August 20	July 22	61,817	–	–
20	1/3	68.81	40,984	August 19	July 21	–	40,984	–
	2/3	68.81	40,984	August 20	July 22	–	–	–
	3/3	68.81	40,992	August 21	July 23	–	–	–
21	1/3	49.89	79,767	August 20	July 22	–	–	–
	2/3	49.89	79,767	August 21	July 23	–	–	–
	3/3	49.89	79,666	August 22	July 24	–	–	–
		Total	**564,362**			**202,202**	**181,369**	**140,385**

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15 Equity (continued)

15.2 Share option reserve (employee stock options plan) (continued)

c Twenty first allocation

The fair value of the options is determined based on Black-Scholes valuation model. The table below summarises the most significant inputs into the model that are the spot price at grant, the strike price, the expected life of the options and the volatility. The volatility is measured over a period of 3 years. Other inputs into the model are the risk free interest rate and the dividend yield (1.0% for the 2019 allocation). One option grants the right to acquire one share.

Date of grant	09.08.2019
Strike price (CHF)	49.89
Number of equal tranches	3
Start of exercise period (years from date of grant)	
Tranche 1	1
Tranche 2	2
Tranche 3	3
Max. duration of exercise period (years) for each tranche	2
Duration used for the calculation of the value of the option	1

Data on options granted and option price:	
Total number of options initially granted	240,000
Of which granted to Executive Management	40,000
Of which granted to other employees	200,000
Spot price at grant (CHF)	42.96
Volatility	33.75%
Fair value per option (average of all tranches) (CHF)	5.78
Of which:	
Tranche 1	5.89
Tranche 2	5.81
Tranche 3	5.63

Options are conditional on the employee completing at least one year service after the grant date (vesting period).

15 Equity (continued)

15.2 Share option reserve (employee stock options plan) (continued)

d Movement in stock options granted

The movements in options granted, exercised, forfeited and lapsed are reported below:

	Allocation								
	15th	16th	17th	18th	19th	20th	21st	Total	Conditional shares available for exercise
Strike price (CHF)	**33.24**	**30.71**	**25.66**	**25.95**	**34.02**	**68.81**	**49.89**		
Share price as at 31 December 2019 (CHF)	**48.52**	**48.52**	**48.52**	**48.52**	**48.52**	**48.52**	**48.52**		
Balance as at 1 January 2018	**50,613**	**66,022**	**87,068**	**130,252**	204,139	–	–	**538,094**	**960,000**
Grants	–	–	–	–	–	128,310	–	**128,310**	
Exercises covered by:									
The issue of new shares									
Treasury shares	(46,969)	(54,391)	(60,713)	(50,960)	(38,378)	–	–	(251,411)	
Lapsed/forfeited	(3,644)	(1,863)	(2,477)	(3,517)	(9,227)	–	–	(20,728)	
Balance as at 31 December 2018	**–**	**9,768**	**23,878**	**75,775**	**156,534**	**128,310**	–	**394,265**	**960,000**
Balance as at 1 January 2019	–	**9,768**	23,878	75,775	156,534	128,310	–	394,265	960,000
Grants	–	–	–	–	–	–	240,000	240,000	
Exercises covered by:									
The issue of new shares	–	–	–	–	–	–	–	–	
Treasury shares	–	(8,392)	(9,198)	(21,416)	(15,547)	–	–	(54,553)	
Lapsed/forfeited	–	(1,376)	(1,968)	(2,874)	(2,982)	(5,350)	(800)	(15,350)	
Balance as at 31 December 2019	–	**–**	**12,712**	**51,485**	**138,005**	**122,960**	**239,200**	**564,362**	**960,000**
Conditional shares available for exercise									960,000
Less: outstanding stock options									(564,362)
Intermediary balance (including conditional shares)									**395,638**
Number of treasury shares available as at 31 December 2019									469,536
Balance of shares available for future grants									**865,174**

As at 31 December 2019, outstanding options comprise of 564,362 stock options for employee stock option plan.

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Section VII: Other notes to the consolidated financial statements

15 Equity (continued)

15.2 Share option reserve (employee stock options plan) (continued)

e Movement (fair value) in stock options

in CHF	Allocation							
	15th	16th	17th	18th	19th	20th	21st	Total
Balance as at 1 January 2018	210,069	356,590	340,401	524,756	1,070,066	–	–	2,501,882
Grants	–	–	–	–	–	1,287,777	–	1,287,777
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	(194,945)	(293,796)	(238,355)	(205,130)	(199,423)	–	–	(1,131,649)
Lapsed/forfeited	(15,124)	(10,072)	(9,608)	(14,183)	(48,441)	–	–	(97,428)
Balance as at 31 December 2018	**–**	**52,722**	**92,438**	**305,443**	**822,202**	**1,287,777**	**–**	**2,560,582**
Balance as at 1 January 2019	–	52,722	92,438	305,443	822,202	1,287,777	–	2,560,582
Grants	–	–	–	–	–	–	1,387,014	1,387,014
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	–	(45,295)	(35,686)	(86,193)	(81,698)	–	–	(248,872)
Lapsed/forfeited	–	(7,427)	(7,682)	(11,488)	(15,681)	(53,695)	(4,623)	(100,596)
Balance as at 31 December 2019	**–**	**–**	**49,070**	**207,762**	**724,823**	**1,234,082**	**1,382,391**	**3,598,128**

f Strike value of stock options outstanding and movements

in CHF		Allocation						
	15th	16th	17th	18th	19th	20th	21st	Total
Balance as at 1 January 2018	1,682,376	2,027,535	2,234,165	3,380,039	6,944,809	–	–	16,268,924
Grants	–	–	–	–	–	8,829,011	–	8,829,011
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	(1,561,250)	(1,670,347)	(1,557,895)	(1,322,412)	(1,305,620)	–	–	(7,417,524)
Lapsed/forfeited	(121,126)	(57,213)	(63,560)	(91,266)	(313,902)	–	–	(647,067)
Balance as at 31 December 2018	**–**	**299,975**	**612,710**	**1,966,361**	**5,325,287**	**8,829,011**	**–**	**17,033,344**
Balance as at 1 January 2019	–	299,975	612,710	1,966,361	5,325,287	8,829,011	–	17,033,344
Grants	–	–	–	–	–	–	11,973,600	11,973,600
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	–	(257,718)	(236,021)	(555,745)	(528,909)	–	–	(1,578,393)
Lapsed/forfeited	–	(42,257)	(50,499)	(74,580)	(101,448)	(368,134)	(39,912)	(676,830)
Balance as at 31 December 2019	**–**	**–**	**326,190**	**1,336,036**	**4,694,930**	**8,460,877**	**11,933,688**	**26,751,721**

15 Equity (continued)

15.3 Other reserve

in CHF	FVOCI & FVOCI equities	Defined benefit obligation	Revaluation reserve	Currency translation differences	Total
Balance as at 1 January 2018	434,951	(3,891,919)	1,141,697	(60,529)	(2,375,800)
Initial application of IFRS 9 – gross	562,230	–	–	–	562,230
Initial application of IFRS 9 – tax	(101,201)	–	–	–	(101,201)
Changes in accounting policies	–	–	(1,141,697)	–	(1,141,697)
Restated balance as at 1 January 2018	895,980	(3,891,919)	–	(60,529)	(3,056,468)
Revaluation of FVOCI & FVOCI equities – gross	(460,023)	–	–	–	(460,023)
Revaluation of FVOCI & FVOCI equities – tax	64,403	–	–	–	64,403
IFRS 9 ECL impairment loss recognised in equity	(500,304)	–	–	–	(500,304)
IFRS 9 ECL impairment loss income tax effect	70,043	–	–	–	70,043
Remeasurement of defined benefit obligation – gross	–	(2,567,000)	–	–	(2,567,000)
Remeasurement of defined benefit obligation – tax	–	359,380	–	–	359,380
Currency translation differences	–	–	–	(397,178)	(397,178)
Balance as at 31 December 2018	**70,099**	**(6,099,539)**	**–**	**(457,707)**	**(6,487,147)**
Balance as at 1 January 2019	70,099	(6,099,539)	–	(457,707)	(6,487,147)
Revaluation of FVOCI & FVOCI equities – gross	80,671	–	–	–	80,671
Revaluation of FVOCI & FVOCI equities – tax	(11,294)	–	–	–	(11,294)
IFRS 9 ECL impairment loss recognised in equity	(53,280)	–	–	–	(53,280)
IFRS 9 ECL impairment loss income tax effect	7,460	–	–	–	7,460
Remeasurement of defined benefit obligation – gross	–	(6,883,000)	–	–	(6,883,000)
Remeasurement of defined benefit obligation – tax	–	963,620	–	–	963,620
Currency translation differences	–	–	–	(1,285,578)	(1,285,578)
Balance as at 31 December 2019	**93,656**	**(12,018,919)**	**–**	**(1,743,285)**	**(13,668,548)**

15 Equity (continued)

15.4 Treasury shares

	2019	2018
Beginning of the year (shares)	**452,793**	**1,063,775**
Purchase	**97,496**	**177,259**
Unit price ranging from CHF	34.25 to 53.50	41.08 to 73.70
Sale	**(16,059)**	**(529,777)**
Unit price ranging from CHF	45.35 to 53.46	38.20 to 70.90
Remittance to optionees/grant of shares	**(64,694)**	**(258,464)**
Unit price ranging from CHF	25.66 to 49.15	25.66 to 66.90
End of the year (shares)	**469,536**	**452,793**
Total as at 31 December (CHF)	**18,787,665**	**16,723,797**
% of the issued shares	3.06%	2.95%

As at 31 December 2019, remaining balance of 469,536 is primarily held for the purpose of covering employees share and option plans. During 2019, the Group granted and allocated for free a total of 10,141 shares (2018: 7,053) to employees (blocked for a 5-year period) and Board members (blocked for a 3-year period).

15.5 Retained earnings (dividend and other payout)

Under Swiss law, dividends can only be paid out of the distributable reserves that are determined on a non-consolidated basis. Final dividends are not accounted for until they have been ratified at the Annual General Meeting.

in CHF	2019	2018	2017	2016	2015
Dividend per share	1.00 [1]	1.00	0.86	0.13	–
Other payout per share	–	–	0.04	0.47	0.60

[1] Proposal of the Board of Directors.

16 Net fee and commission income

in CHF	2019	2018
Brokerage and related income	72,586,436	80,811,054
Custody and account fees	13,086,655	12,590,238
Other commission income	11,584,026	12,511,823
Advertising and subscription fees	5,500,343	4,101,062
Total fee and commission income	**102,757,460**	**110,014,177**
Fee and commission expenses	(9,842,438)	(10,500,492)
Total net fee and commission income	**92,915,022**	**99,513,685**

Net fee and commission income includes an amount of CHF 6.3 million (2018: CHF 9.8 million) relating to crypto-currencies trading.

Disaggregation of revenues: the total balance of net fee and commission income is allocated to the reportable segment designated as "Securities trading".

Custody and account fees of CHF 13.1 million (2018: CHF 12.6 million) and advertising and subscription fees of CHF 5.5 million (2018: 4.1 million) are primarily recognised over time. The remaining balance (brokerage and related income, other commission income) mainly consist of services rendered at a point in time.

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17 Net interest income

in CHF	Activities excluding FX swaps	FX swaps	2019	2018
Interest income				
Investment securities	3,028,247	–	3,028,247	5,013,333
Loans and due to customers	10,374,919	–	10,374,919	8,022,034
Due from banks	6,761,803	–	6,761,803	626,674
Others	1,311,290	–	1,311,290	343,894
Total interest income	**21,476,259**	**–**	**21,476,259**	**14,005,935**
Interest expense				
Cash and balances with central banks	(5,135,908)	(14,995,585)	(20,131,493)	(20,407,700)
Deposits from banks and due from banks (incl. stock exchanges)	(2,830,420)	–	(2,830,420)	(2,113,923)
Treasury bills and loans	(3,444,716)	–	(3,444,716)	(1,770,642)
Due to customers and others	(3,803,519)	–	(3,803,519)	(1,456,261)
Total interest expense	**(15,214,563)**	**(14,995,585)**	**(30,210,148)**	**(25,748,526)**
Other interest income				
Derivative financial instruments	–	39,714,064	39,714,064	36,233,674
Total other interest income	**–**	**39,714,064**	**39,714,064**	**36,233,674**
Other interest expense				
Derivative financial instruments	–	(433,696)	(433,696)	(319,661)
Total other interest expense	**–**	**(433,696)**	**(433,696)**	**(319,661)**
Total net interest income	**6,261,696**	**24,284,783**	**30,546,479**	**24,171,422**

As at 31 December 2019, negative interest impact is as follows:

in CHF	2019	2018
Negative interest on liabilities	1,476,836	682,883
Negative interest on assets	(26,019,764)	(24,180,583)
Total	**(24,542,928)**	**(23,497,700)**
Cost of negative interest rates (excluding FX swaps)	(9,547,343)	(9,033,102)

FX swaps are contracts in which the Group simultaneously borrows CHF currency and lends USD/EUR/other currencies to a second party. The amount of repayment is fixed at the FX forward rates as of the starting date of the contract. From a treasury perspective, FX swaps can be viewed as FX-risk-free collateralised lending.

Disaggregation of revenues: the total balance of net interest income is allocated to the reportable segment designated as "Securities trading" with the exception of Cost of negative interest rates (excluding FX swaps). Net interest income is by nature recognised over time.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

18 Net trading income

in CHF	2019	2018
Foreign exchange revenues:		
From leveraged forex	85,508,887	71,831,897
From other foreign exchange income	23,057,637	22,747,472
Unrealised fair value gains/(losses):		
From trading assets	231,010	(2,050,694)
From others	78,000	186,340
Realised gains/(losses):		
From derivative financial instruments	–	7,070,603
From trading assets and investment securities	17,673	(430,110)
Net trading income	**108,893,207**	**99,355,508**

Disaggregation of revenues: out of the total balance of net trading income of CHF 108.9 million, CHF 85.5 million were allocated to the reportable segment designated as "Leveraged Forex" (remaining balance: Securities trading). Net trading income is by nature recognised at a point in time.

19 Credit loss expense

In 2019, credit loss expense recognised in the income statement amounted CHF 1.7 million (2018: CHF 8.5 million). Reference is made to Section IV F11.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

20 Operating expenses

in CHF	2019	2018
Payroll and related expenses	84,211,693	73,227,075
Other operating expenses	40,908,375	40,080,884
Marketing expenses	23,408,499	22,686,845
Depreciation and amortisation	26,056,862	21,008,714
Provisions	5,466,810	3,759,455
Total	**180,052,239**	**160,762,973**

Payroll and related expenses consist of:

in CHF	2019	2018
Wages and salaries	85,530,140	75,911,998
Social security costs	7,008,909	6,802,001
Pension costs (defined benefit and defined contribution)	4,747,203	3,994,017
Subtotal	**97,286,252**	**86,708,016**
Less: capitalised costs	(13,074,559)	(13,480,941)
Total	**84,211,693**	**73,227,075**
Average headcount (FTE)	699	649

With the development of international activities of the Group, wages and salaries comprise of a balance of CHF 11.4 million which is not subject to Swiss social security (2018: CHF 7.9 million).

For pension costs, reference is made to Note 14 as defined benefit costs are influenced by the result of actuarial analysis.

The capitalised costs relate to internally generated computer softwares capitalised according to IAS 38 (Note 7).

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

21 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased and held as treasury shares.

	2019	2018
Weighted average number of ordinary shares in issue	14,865,039	14,654,341
Net profit (CHF)	44,653,645	44,603,232
Earnings per share (CHF)	**3.00**	**3.04**

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options are the only type of dilutive potential ordinary shares: a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2019	2018
Weighted average number of ordinary shares	14,865,039	14,654,341
Adjustments for share options	50,838	113,914
Weighted average number of ordinary shares for diluted earnings per share options	14,915,877	14,768,255
Net profit (CHF)	44,653,645	44,603,232
Diluted earnings per share (CHF)	**2.99**	**3.02**

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22 Related-party transactions

Related-party transactions are defined as transactions and balances with members of the Board of Directors and of the Executive Management and their close family members as well as with shareholders with a significant influence.

in CHF	2019	2018
Key management compensation		
Short-term employee benefits	5,428,078	4,083,603
Post-employment benefits	776,109	449,715
Total	**6,204,187**	**4,533,318**
Of which:		
Share-based payment (market value)	**362,223**	**335,636**

Loans	7,620,766	8,659,581
Due to customers	10,236,125	12,389,244
Interest income	80,530	76,944
Interest expense	3,147	3,116

Related-party transactions are made on an arm's-length basis.

23 Off-balance sheet commitments

in CHF	2019	2018
Irrevocable commitments		
Loan commitments	28,648,000	28,886,000
Operating lease commitments	N.A.[1]	10,151,192
Total	**28,648,000**	**39,037,192**

[1] Introduction of IFRS 16.

Loan commitments

Swiss banking law and the deposit insurance scheme require Swiss banks and securities dealers to jointly guarantee an amount up to CHF 6 billion for privileged deposits in the event a Swiss bank or a securities dealer becomes insolvent. As per FINMA guidelines, the payment obligation of the Group has to be recognised for as an irrevocable commitment under the off-balance sheet transactions.

Other off-balance sheet items

Reference is made to Note 24.

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24 Client assets

Assets under management (FINMA definition)

Assets under management are calculated and reported in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA) concerning accounting standards for banks. According to FINMA, assets under management compose of assets for which the strict condition of having either a discretionary management mandate or an investment advisory agreement signed by the client with the Group itself is fulfilled.

in CHF	2019	2018
Assets with management/investment advisory mandate	166,248,809	132,576,866
Assets in self-managed collective investments instruments	31,676,308	29,828,263
Total as at 31 December	**197,925,117**	**162,405,129**
Out of which double counts	–	–

in CHF	2019	2018
Change attributable to net new money	(1,281,920)	1,099,159
Change attributable to market value	36,801,908	(7,541,888)
Total change in assets under management	**35,519,988**	**(6,442,729)**

Client assets

Client assets is a broader term than assets under management under FINMA definition and comprises of all bankable assets that are managed or deposited with the Group, including assets that are not held for custody, but for which the technology of the Group gives clients access to asset classes and stock markets and/or for which services are provided by Swissquote's Robo-Advisor.

in CHF	2019	2018
Trading assets (including fiduciary placements and crypto assets)	31,296,471,293	22,958,460,708
Saving assets	265,516,173	306,311,986
eForex assets	447,022,634	365,237,428
Robo-Advisory assets	231,940,989	191,717,123
Total client assets as at 31 December	**32,240,951,089**	**23,821,727,245**
Assets not deposited with the Group	(1,057,628,118)	(838,578,036)
Total assets under custody as at 31 December	**31,183,322,971**	**22,983,149,209**

25 Disclosure of shareholdings of the Board of Directors and Executive Management

In compliance with Art. 663c of Swiss Code of Obligations, the following table summarises all shareholdings held by each member of the Board of Directors, the Executive Management and closely related persons:

	Number of shares 2019	Number of shares 2018	Number of stock options 2020	2021	2022	2023	2024
Shareholdings							
Markus Dennler, Chairman of the Board	31,465	30,728	–	–	–	–	–
Monica Dell'Anna, member of the Board	1,568	1,077	–	–	–	–	–
Martin Naville, member of the Board	11,275	10,784	–	–	–	–	–
Beat Oberlin, member of the Board	3,342	2,851	–	–	–	–	–
Jean-Christophe Pernollet, member of the Board	3,886	3,395	–	–	–	–	–
Mario Fontana, former Chairman [1]	492,219	492,219	–	–	–	–	–
Mario Fontana, closely related persons	184,011	184,011	–	–	–	–	–
Marc Bürki, CEO	1,889,188	1,908,400	3,146	4,347	4,441	2,867	1,666
Paolo Buzzi, CTO	1,872,663	1,896,535	4,720	4,347	4,441	2,867	1,666
Yvan Cardenas, CFO [2]	320	–	–	2,240	3,120	2,333	1,666
Gilles Chantrier, CRO	340	340	–	3,559	4,441	2,867	1,666
Jan De Schepper, CSO [2]	220	–	1,574	2,240	3,120	2,333	1,666
Lino Finini, COO [2]	1,820	–	–	2,240	3,120	2,333	1,666
Morgan Lavanchy, CLO	340	340	3,147	3,559	4,441	2,867	1,666
Michael Ploog, CIO	58,605	63,605	1,596	4,347	4,441	2,867	1,666
Closely related persons [3]	86,542	91,772	–	–	–	–	–
Total	**4,637,804**	**4,686,057**	**14,183**	**26,879**	**31,565**	**21,334**	**13,328**

[1] Mario Fontana did not seek re-election at the Ordinary General Meeting of 10 May 2019.

[2] Yvan Cardenas, Jan De Schepper and Lino Finini joined the Executive Management on 1 March 2019.

[3] The data reported in the table above is based on the Company's best knowledge of the number of shares owned by close relatives of the members of the Board and members of the Executive Management. Close relatives consist of spouse, children, father and mother as well as sisters and brothers. As at 31 December 2019 and 31 December 2018, closely related persons are mainly related to Marc Bürki (CEO), Paolo Buzzi (CTO) and Michael Ploog (CIO).

Report of the statutory auditor to the General Meeting of Swissquote Group Holding Ltd Gland

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Swissquote Group Holding Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 12 to 107) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

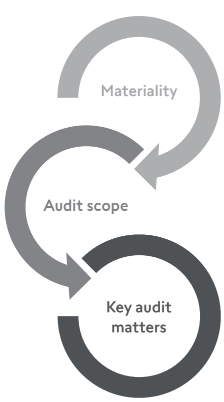
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Our audit approach

Overview



Overall Group materiality: CHF 2'529'000 which represents 5% of profit before tax for the year ended 31 December 2019.

We conducted full scope audit work at Swissquote Group Holding Ltd and Swissquote Bank Ltd both in Gland. In addition, the balance sheet of Internaxx Bank S.A. as of the date of change of control has been subject to an audit.

Our audit scope therefore addressed 92.5% of the Group's total assets and 95.4% of the Group's operating income.

The following areas of focus have been identified as key audit matters:

- **Goodwill impairment assessment**
- **Acquisition of Internaxx Bank S.A.**

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Context of our audit 2019
The context of our audit is set by the Group's major activity, namely providing its client with an online trading platform. As the Group completed the acquisition of Internaxx Bank S.A. during the first quarter of 2019, we considered its accounting treatment as a new key audit matter.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 2'529'000
How we determined it	5% of profit before tax, rounded
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 252'900 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We conducted full scope audit work at Swissquote Group Holding Ltd and Swissquote Bank Ltd both in Gland. Our audit scope therefore addressed 92.5% of the Group's total assets and 95.4% of the Group's operating income.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Goodwill impairment assessment

Key audit matter	How our audit addressed the key audit matter
The goodwill impairment assessment is considered a key audit matter due to the size of goodwill balance (CHF 44.8 million) as well as considerable judgement with respect to the assumptions used in calculation of the value in use, including the future results of the business and the discount rate applied to future cash flow forecasts. *See 2019 consolidated financial statements:* • *Section IV "Summary of significant accounting policies", sub-section L "Impairment of tangible and intangible assets" on page 32;* • *Section V "Critical accounting judgements and key sources of estimation uncertainty", sub-section A "Impairment test in respect of goodwill" on page 37;* • *Section VII "Other notes to the consolidated financial statements", Note 6 "Intangible assets and business combination" on pages 80 to 82.*	We performed the following procedures: • We evaluated the cash flow forecasts included in the models (used to determine the value in use of the cash generating units) and the process by which they were developed (including verifying the mathematical accuracy of the underlying calculations). We also compared the forecasts to the latest budget approved by the Board of Directors; • We compared the current year actual results (2019) with the figures included in the prior year's forecast (2018) to consider whether they included assumptions that, with hindsight, may have been optimistic; • With the assistance of specialists in the area of valuation, we challenged the reasonableness of Management's assumptions on the revenue and expense projections as well as on discount rate by comparing the cost income ratio and the discount rate with comparable institutions active in similar businesses; • We re-performed sensitivity analyses around the key assumptions (revenue growth and expense projections as well as on and discount rate) to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired. As a result of our procedures, we determined that the conclusions reached by management with regard to the carrying value of goodwill were reasonable and supportable.

Acquisition of Internaxx Bank S.A.

Key audit matter	How our audit addressed the key audit matter
On 22 March 2019, Swissquote Group Holding Ltd became owner of 100% of the shares of Luxembourg-based Internaxx Bank S.A. in exchange for a consideration of EUR 27.7 millions paid in cash. The Group has recognised a goodwill of EUR 6.0 million arising from the acquisition. Accounting for the acquisition of Internaxx is a complex exercise that involves a number of judgements. It requires the identification of acquired assets and liabilities, including contingent liabilities, and the determination of their fair value, as of the acquisition date. The fair value of the net identifiable assets is used to determine the subsequent carrying amounts in the Group's consolidated financial statements, as well as to calculate the goodwill arising on the acquisition. Management has not identified material customer relationships or trademark during the application of acquisition accounting. *See 2019 consolidated financial statements:* • *Section IV "Summary of significant accounting policies", sub-section B "Consolidation" on page 25;* • *Section VII "Other notes to the consolidated financial statements", Note 6 "Intangible assets and business combination" on pages 80 to 82.*	We performed the following procedures: • We agreed the considerations paid to the share purchase agreement ("SPA") dated 6 August 2018 and vouched them against the evidence of transfer; • We reconciled the net identifiable assets used in the goodwill calculation to the acquisition-date audited financial information of Internaxx Bank S.A. We tested the material reconciling items; • We reviewed management's identification of acquired assets and liabilities; • We reviewed the disclosures, including how the goodwill arose in the transaction. As a result of our procedures, we determined that Management's determination of the value of the Goodwill arising from the acquisition was reasonable and supportable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Swissquote Group Holding Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISAs and Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Beresford Caloia	Nicolas Journot
Audit expert Auditor in charge	Audit expert

Lausanne, 16 March 2020

Statutory financial statements
Content

Statutory financial statements of Swissquote Group Holding Ltd

Statutory balance sheet

	Notes	31 December 2019	31 December 2018
in CHF			
Assets			
Cash and banks		251,068	253,180
Receivable from subsidiaries	1	21,531,426	52,684,948
Total current assets		**21,782,494**	**52,938,128**
Investment in subsidiaries	2	171,029,586	139,675,956
Total non-current assets		**171,029,586**	**139,675,956**
Total assets		**192,812,080**	**192,614,084**
Liabilities and equity			
Income tax payable		642,329	1,877,484
Total short-term liabilities		**642,329**	**1,877,484**
Total liabilities		**642,329**	**1,877,484**
Equity			
Share capital	3	3,065,634	3,065,634
Legal capital reserves			
Reserves from capital contributions	4	349,776	349,776
Other capital reserves	4	6,109,093	6,109,093
Retained earnings	5	183,845,398	183,528,851
Net profit		17,587,515	14,407,043
Treasury shares	6	(18,787,665)	(16,723,797)
Total equity		**192,169,751**	**190,736,600**
Total liabilities and equity		**192,812,080**	**192,614,084**

The notes on pages 116 to 121 are an integral part of these financial statements.

Statutory income statement

in CHF	2019	2018
Royalties	10,723,713	10,941,442
Dividend received from subsidiaries	10,500,000	9,450,000
Other revenues	1,387,049	1,296,909
Operating expenses	(4,355,809)	(5,276,965)
Depreciation	–	(100,000)
Operating profit	**18,254,953**	**16,311,386**
Income tax expense	(667,438)	(1,904,343)
Net profit	**17,587,515**	**14,407,043**

The notes on pages 116 to 121 are an integral part of these financial statements.

Notes to the statutory financial statements

General information

Swissquote Group Holding Ltd (the "Company") was formed on 12 August 1999 and is registered in the Canton of Vaud, Switzerland, with headquarters in Gland. Swissquote Group Holding Ltd is the parent company of a financial group that is active in online financial services, the main operating subsidiary being Swissquote Bank Ltd. As at 31 December 2019, the Company did not employ more than 10 full-time equivalents (2018: no changes).

The shares of Swissquote Group Holding Ltd are listed on the Swiss Stock Exchange since 29 May 2000. The ticker is SQN, the security number is 1067586 and the ISIN Number is CH0010675863.

The main shareholders (pursuant to Swiss Financial Market Infrastructure Act FMIA) are (including stock options):

	2019			2018		
	Shares	Options	Total	Shares	Options	Total
Marc Bürki	12.32%	0.11%	**12.43%**	12.45%	0.10%	**12.55%**
Paolo Buzzi	12.22%	0.12%	**12.34%**	12.37%	0.10%	**12.47%**
PostFinance AG	5.00%	–	**5.00%**	5.00%	–	**5.00%**
Mario Fontana	4.41%	–	**4.41%**	4.41%	–	**4.41%**
Exane Derivatives SNC	3.02%	–	**3.02%**			
Basellandschaftliche Kantonalbank	< 3%	–	**< 3%**	4.77%	–	**4.77%**
JPMorgan Chase & Co.	< 3%	–	**< 3%**	3.09%	–	**3.09%**
Treasury shares:						
Swissquote Group Holding Ltd			**3.06%**			**2.95%**

The statutory financial statements were approved for issue by the Board of Directors of the Company on 16 March 2020.

The Remuneration Report replaces the information previously contained in the notes to the statutory financial statements pursuant to art. 663b^{bis} of the Swiss Code of Obligations.

Notes to the statutory financial statements

Summary of significant accounting policies

These statutory financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (Art. 957 to 963b CO). According to art. 962 Para. 3 CO, the Company does not present additional statutory financial statements in accordance with a recognised financial reporting standard.

Foregoing a cash flow statement and additional disclosures in the notes

Because consolidated financial statements are prepared in accordance with IFRS, the Company has decided, pursuant to art. 961d CO, to forego presenting additional information on audit fees in the notes as well as a cash flow statement in accordance with the Swiss law.

Where not described below, accounting and valuation principles are provided by law.

A Investments in subsidiaries

Investments in subsidiaries are valued at cost less economically necessary amortisations (depreciation).

B Treasury shares

Treasury shares are valued at the acquisition price and are deducted from equity in accordance with art. 959a para. 2 CO. Gains and losses on disposal of treasury shares are recognised in equity (but remain accountable for the determination of the taxable profit).

C Comparatives

Comparative figures, where necessary, are adjusted to conform to any changes in presentation in the current year.

Notes to the statutory financial statements

Other notes to the statutory financial statements

1 Receivable from subsidiaries

The current balance of CHF 21,531,426 (2018: CHF 52,684,948) is related to cash deposited into a bank account opened with Swissquote Bank Ltd.

2 Investment in subsidiaries

	Office/country	2019		2018	
in CHF					
Swissquote Bank Ltd	Gland/Switzerland	100.00%	137,560,002	100.00%	137,560,002
Swissquote Trade Ltd	Gland/Switzerland	100.00%	238,950	100.00%	238,950
Swissquote Financial Services (Malta) Ltd	Valletta/Malta	99.90%	1,877,004	99.90%	1,877,004
Internaxx Bank S.A.	Luxembourg	100.00%	31,353,630	–	–
Total as at 31 December			**171,029,586**		**139,675,956**

On 22 March 2019, the Company acquired Internaxx Bank S.A. Consideration paid for the acquisition was EUR 27.7 million (CHF 31.4 million).

Notes to the statutory financial statements

Other notes to the statutory financial statements

3 Share capital

	2019	2018
Ordinary issued share capital		
Number of shares in issue	15,328,170	15,328,170
Nominal value of each share (registered shares)	0.20	0.20
Ordinary share capital (CHF)	**3,065,634**	**3,065,634**
Unissued share capital (CHF)		
Conditional share capital (nominal value)	192,000	192,000
Authorised share capital (nominal value)	400,000	400,000

Authorised and conditional share capital
The provision ruling the utilisation of the authorised share capital provides that the Board of Directors is authorised until 4 May 2020 to increase the share capital of the Company by a maximum of CHF 400,000 by issuing no more than 2,000,000 new registered shares with a nominal value of CHF 0.20 each. The provision further provides details on the capital increase process and exercise of preferential subscription rights.

The provision ruling the utilisation of the conditional share capital provides that the Board of Directors is authorised to increase the share capital of the Company by a maximum of CHF 192,000 by issuing no more than 960,000 shares. The capital increase may be carried out through the exercise of options granted to employees.

Shares for members of the Board of Directors
Board members were granted free shares of the Company which are subject to a blocking period. The grants performed on behalf of 2018 and 2019 were as follows:

	Shares					
	2019			2018		
	Number	Market value	Tax value	Number	Market value	Tax value
Members of the Board	**2,701**	**131,053**	**110,036**	**3,425**	**154,981**	**130,125**

Notes to the statutory financial statements

Other notes to the statutory financial statements

4 Legal capital reserves

Following the reimbursements performed in previous years, the remaining balance as at 31 December 2019 is CHF 72,369 (total balance of CHF 349,776). The residual amount of CHF 277,407 consists of notary fees and of issuance stamp tax that Federal Tax Administration excludes from the scope of capital contributions. Reimbursements from the reserves from capital contributions are not subject to Swiss withholding tax and to income tax for private individuals living in Switzerland who hold the shares as part of their private assets.

5 Retained earnings

in CHF	2019	2018
Retained earnings	183,528,851	165,555,536
Net profit (previous year)	14,407,043	13,564,553
1 January	**197,935,894**	**179,120,089**
Dividend paid on behalf of previous year	(14,859,653)	(12,503,964)
Realised gain/(loss) on treasury shares	769,157	16,912,726
31 December	**183,845,398**	**183,528,851**

6 Treasury shares

	2019	2018
Beginning of the year (shares)	**452,793**	**1,063,775**
Purchase	**97,496**	**177,259**
Unit price ranging from CHF	34.25 to 53.50	41.08 to 73.70
Sale	**(16,059)**	**(529,777)**
Unit price ranging from CHF	45.35 to 53.46	38.20 to 70.90
Remittance to optionees/grant of shares	**(64,694)**	**(258,464)**
Unit price ranging from CHF	25.66 to 49.15	25.66 to 66.90
End of the year (shares)	**469,536**	**452,793**
Total as at 31 December (CHF)	**18,787,665**	**16,723,797**
% of the issued shares	3.06%	2.95%

Proposed appropriation of retained earnings

Proposal of the Board of Directors for appropriation of retained earnings as at 31 December 2019

The Board of Directors proposes to the Annual General Meeting to utilise retained earnings available for appropriation as follows:

in CHF	2019
Net profit for the year	17,587,515
Retained earnings carried forward	183,845,398
Retained earnings available for appropriation	**201,432,913**

Allocation of available retained earnings	
Available retained earnings as at 31 December 2019	201,432,913
Proposed dividend (CHF 1.00 per share)	(15,328,170)
Retained earnings to be carried forward	**186,104,743**

Amount of proposed dividend is based on the number of shares issued as at 31 December 2019. However, no distribution is allocated to the treasury shares.

Report of the statutory auditor to the General Meeting of Swissquote Group Holding Ltd Gland

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Swissquote Group Holding Ltd, which comprise the balance sheet as at 31 December 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 114 to 121) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 912'000
How we determined it	5% of profit before tax, rounded
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the entity is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 91'200 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Beresford Caloia	Nicolas Journot
Audit expert Auditor in charge	Audit expert

Lausanne, 16 March 2020

Corporate Governance Report 2019
Content

Corporate Governance Report

Introduction

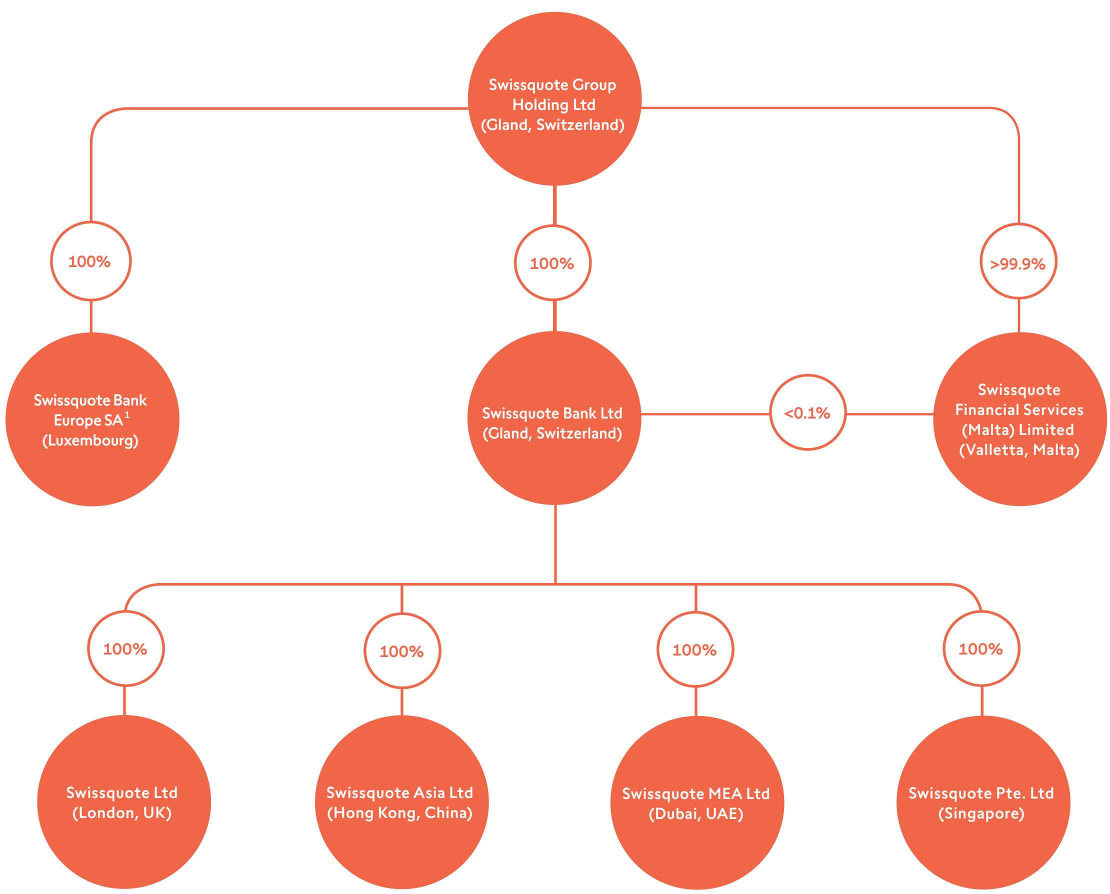
Swissquote Group (the "Group") is an international financial services group that applies a wide range of standards relating to corporate governance, including the SIX Swiss Exchange's Directive on Information relating to Corporate Governance and FINMA Circular 2017/1 "Corporate governance – banks". This Corporate Governance Report informs shareholders, prospective investors as well as the larger public on the Group's policies in matters of corporate governance, which is at the heart of a proper business conduct and a central part of the Group's internal organisation.

1 Group structure and shareholders

1.1 Group structure

The structure of the Group, which comprises Swissquote Group Holding Ltd and its subsidiaries, is designed to support the Group's operations within an efficient regulatory and tax framework.

The Group comprises the following active companies as at 31 December 2019:



[1] Internaxx Bank S.A. was renamed Swissquote Bank Europe SA during the first quarter 2020.

1.1 Group structure (continued)

Swissquote Group Holding Ltd (the "Company") is the listed vehicle of the Group. It was incorporated on 12 August 1999. Its shares have been listed on SIX Swiss Exchange since 29 May 2000 with the symbol SQN, the security number 1067586 and the ISIN number CH0010675863. As at 31 December 2019, the market capitalisation of the Company amounted to approximately CHF 743,725,000. Details on the Company's capital are provided in Section 2.

Swissquote Bank Ltd was incorporated on 24 November 2000 and is a bank under the supervision of the Swiss Financial Market Supervisory Authority FINMA (FINMA). The main office of Swissquote Bank Ltd is located in Gland, Switzerland, with a branch in Zurich and representative offices in Dubai and Hong Kong. The share capital of Swissquote Bank Ltd amounts to CHF 42,000,000 (7,000,000 registered shares with a nominal value of CHF 6).

Swissquote Bank Europe SA (formerly Internaxx Bank S.A.) has been a limited liability company incorporated in Luxembourg since 13 November 2000. Swissquote Bank Europe SA is a bank under the supervision of the Commission de Surveillance du Secteur Financier (CSSF). The share capital of Swissquote Bank Europe SA amounts to EUR 29,000,000 (29,000 registered shares without a nominal value). The acquisition of Swissquote Bank Europe SA by the Group was completed on 22 March 2019, after the Group received regulatory approval from the European Central Bank and the CSSF.

Swissquote Financial Services (Malta) Limited has been a limited liability company incorporated in Malta since 19 October 2012. Swissquote Financial Services (Malta) Limited is an investment services company that operates as custodian for European investment funds and broker under both a Category 4a licence and a Category 2 licence from the Malta Financial Services Authority (MFSA). The share capital of Swissquote Financial Services (Malta) Limited amounts to EUR 1,100,000, divided into 1,099,999 ordinary class A shares with a nominal value of EUR 1 (held by the Company) and 1 ordinary class B share with a nominal value of EUR 1 (held by Swissquote Bank Ltd).

Swissquote Asia Ltd has been a limited liability company incorporated in Hong Kong since 16 January 2012. Swissquote Asia Ltd is a licensed corporation under the supervision of the Securities and Futures Commission (SFC), from which it was granted a Type 3 licence (Leverage Foreign Exchange Trading). The share capital of Swissquote Asia Ltd amounts to HKD 5,500,000 (5,500,000 registered shares with a nominal value of HKD 1).

Swissquote Ltd has been a limited liability company incorporated in London since 19 July 2011. Swissquote Ltd is an investment company that provides online trading services under the supervision of the Financial Conduct Authority (FCA). The share capital of Swissquote Ltd amounts to GBP 4,260,100 (4,260,100 ordinary shares with a nominal value of GBP 1).

Swissquote MEA Ltd has been a limited liability company incorporated in the Dubai International Financial Center (DIFC) since 14 June 2012. Swissquote MEA Ltd is an investment firm under both a Category 3A licence and a Category 4 licence granted by the Dubai Financial Services Authority (DFSA). The share capital of Swissquote MEA Ltd amounts to USD 500,000 (500 registered shares with a nominal value of USD 1,000).

Swissquote Pte. Ltd has been a limited liability company incorporated in Singapore since 26 February 2019. Swissquote Pte. Ltd is a financial services company under the supervision of the Monetary Authority of Singapore (MAS), from which it was granted a Capital Markets Service (CMS) licence. The share capital of Swissquote Pte. Ltd amounts to SGD 4,100,000 (4,100 registered shares with a nominal value of SGD 1,000).

For information on the exact registered addresses of each entity of the Group, reference is made to the last pages of the Annual Report.

1.2 Significant shareholders

Under the Swiss Financial Market Infrastructure Act (FMIA), any person holding shares in a company listed in Switzerland is required to notify the concerned company and the stock exchange, if the holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 33¹/₃%, 50%, or 66²/₃% of the voting rights.

According to the information received by the Company and pursuant to Section 1.2 of the Annex to the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the shareholders with an interest in the Company above 3% as at 31 December 2019 are as follows:

	2019		
	Shares	Options	Total
Marc Bürki	12.32%	0.11%	12.43%
Paolo Buzzi	12.22%	0.12%	12.34%
PostFinance AG	5.00%	–	5.00%
Mario Fontana	4.41%	–	4.41%
Exane Derivatives SNC	3.02%	–	3.02%

For further information on stock options, reference is made to the Remuneration Report.

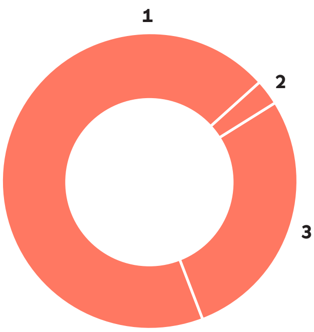
The full list of disclosures of shareholdings made in accordance with Art. 120 FMIA is available on the website of SIX Swiss Exchange using the following link:

https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Corporate Governance Report

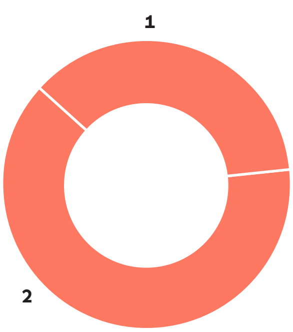
1.2 Significant shareholders (continued)

As at 31 December 2019, the issued share capital of the Company consisted of 15,328,170 ordinary registered shares with a nominal value of CHF 0.20 each. The shares registered in the share register amounted to 10,569,784 and the Company owned 469,536 treasury shares. The distribution of the shareholdings in the Company as of 31 December 2019 is reflected below:



1 Shares registered in the share register (68.9%)
2 Treasury shares (3.1%)
3 Other shares not registered in the share register (28.0%)

Further, the registered shareholders as at 31 December 2019 are broken down as follows:



1 Board members & Executive Management (36.7%)
2 Other registered shareholders (63.3%)

1.3 Cross-shareholdings

There are no cross-shareholdings.

Corporate Governance Report

2 Capital structure

2.1 Capital

Under Swiss company law, the general meeting of shareholders (the "General Meeting") has to approve any change in the total number of shares, whether with respect to the ordinary share capital or with respect to the creation of conditional capital or authorised capital.

As at 31 December 2019, the share capital of the Company amounted to CHF 3,065,634 (15,328,170 registered shares with a nominal value of CHF 0.20 each). The share capital is fully paid-up. The Company itself owned 469,536 treasury shares. Further, a conditional share capital amounting to CHF 192,000 and consisting of 960,000 shares with a nominal value of CHF 0.20 each and an authorised capital of CHF 400,000 consisting of 2,000,000 shares with a nominal value of CHF 0.20 each remained outstanding as at 31 December 2019. The conditional capital and the authorised capital amount to a maximum of CHF 592,000, which equates to 19.3% of the existing share capital.

SIX Swiss Exchange regulations provide that individual shareholdings exceeding 5% (save for, inter alia, certain investment funds) are deemed to be a permanent investment and are therefore to be excluded from the free float. In accordance with SIX Swiss Exchange regulations, the free float as at 31 December 2019 was 70.5% (2018: 70.2%).

2.2 Conditional and authorised capital in particular

In this section and in the remainder of the Corporate Governance Report, the Articles of Incorporation of the Company, last amended on 4 May 2018 and applicable as at 31 December 2019, available at https://en.swissquote.com/company/investors#articles-incorporation in the French original version together with an English free translation, shall be referred to as the "AoI".

Art. 4bis of the AoI on the utilisation of the conditional capital provides that the Board of Directors of the Company (the "Board") is authorised to increase the share capital of the Company by a maximum of CHF 192,000 by issuing no more than 960,000 new registered shares with a nominal value of CHF 0.20 each. The capital increase may be carried out through the exercise of options granted by the Board to certain employees of the Company and its group companies by a maximum of CHF 150,000 through the issuance of a maximum of 750,000 new registered shares with a nominal value of CHF 0.20 each. The capital increase may also be carried out through the exercise of options granted by the Board in connection with the acquisition of a business undertaking, parts of a business undertaking or acquisition of participations in a business undertaking by a maximum of CHF 42,000 through the issuance of a maximum of 210,000 new registered shares with a nominal value of CHF 0.20 each.

Art. 4ter of the AoI governing the utilisation of the authorised capital provides that the Board is authorised until 4 May 2020 to increase the share capital of the Company by a maximum of CHF 400,000 by issuing no more than 2,000,000 new registered shares with a nominal value of CHF 0.20 each. The Board determines the amount of the issue, the point in time at which the shares confer a dividend entitlement, the method of payment in full for contributions and the subscription procedure. An increase in tranches or a partial increase is permissible. In accordance with the modalities laid down by the Board, the amount of the increase must be fully paid-up. The restrictions on the transferability of registered shares set forth in the AoI also apply to the new shares.

For further information on the conditional and authorised capital, reference is made to the AoI.

2.3 Changes in capital

The following table summarises the changes in capital that took place within the last three financial years:

		Unissued shares		
	Ordinary shares issued	Conditional capital	Authorised capital	Total shares issued and unissued
Number of shares				
As at 1 January 2017	**15,328,170**	**960,000**	**1,810,200**	**18,098,370**
Exercise of employees' stock options	–	–	–	–
Increase/(decrease) in capital	–	–	–	–
As at 31 December 2017	**15,328,170**	**960,000**	**1,810,200**	**18,098,370**
As at 1 January 2018	**15,328,170**	**960,000**	**1,810,200**	**18,098,370**
Exercise of employees' stock options	–	–	–	–
Increase/(decrease) in capital	–	–	189,800	189,800
As at 31 December 2018	**15,328,170**	**960,000**	**2,000,000**	**18,288,170**
As at 1 January 2019	**15,328,170**	**960,000**	**2,000,000**	**18,288,170**
Exercise of employees' stock options	–	–	–	–
Increase/(decrease) in capital	–	–	–	–
As at 31 December 2019	**15,328,170**	**960,000**	**2,000,000**	**18,288,170**

2.4 Shares and participation certificates

Pursuant to Art. 5 of the AoI, the Company may issue its registered shares in the form of single certificates, global certificates or uncertified securities. As at 31 December 2019, the share capital consisted of 15,328,170 registered shares. The share capital of the Company is fully paid-up. The dividend entitlement depends on the share's nominal value. Each of the Company's registered shares carries one voting right at the General Meeting. Upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they acquired the registered shares in their own name and for their own account. More information is provided in Sections 2.6 and 6.

The Company does not issue any participation certificates.

2.5 Dividend-right certificates

The Company does not issue any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

In accordance with Art. 685a CO and Art. 7 Para. 1 of the AoI, the transfer of registered shares is subject to the approval of the Board. Upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. In accordance with Art. 7 Para. 2 of the AoI, the Board may reject a request for entry into the share register within 20 days.

The AoI do not contain any express provision for granting exceptions to this limitation; no such exceptions were granted in the year under review. Nominees cannot be registered with voting rights; there were no exceptions in 2019.

Pursuant to Art. 14 Para. 1 of the AoI, decisions related to the restrictions on the transferability of registered shares can only be made by the General Meeting and require a qualified majority vote (two thirds of the votes represented and an absolute majority of the nominal values of the shares represented).

2.7 Convertible bonds and options

The Company does not issue any bonds, convertible bonds or warrants.

Information on the Group's stock option plan is provided in the Remuneration Report.

Corporate Governance Report

3 Board of Directors

The Board has the ultimate responsibility for the strategy and the management of the Company and for the supervision of the Executive Management of the Company (the "Executive Management"). Art. 16 Para. 1 of the AoI provides that the Board must be composed of a minimum of three members. As at 31 December 2019, the Board consisted of five members, all non-executive, details of which are presented here below.

3.1 Members of the Board of Directors

At the annual Ordinary General Meeting (the "Ordinary General Meeting") of 10 May 2019, Markus Dennler was elected as the Chairman of the Board of the Company. Mario Fontana, the former Chairman of the Board, did not seek re-election. All four remaining members of the Board were re-elected.

3.1.1 Current members of the Board of Directors

Markus Dennler (1956/Swiss national, domiciled in Switzerland)

Chairman of the Board of Swissquote Group Holding Ltd since May 2019 (member since March 2005)
Chairman of the Board of Swissquote Bank Ltd since May 2019 (member since March 2005)

Educational Background

1982	Licentiate in Law, University of Zurich
1984	Doctorate in Law, University of Zurich
1986	Attorney at Law, admitted to the Bar
1989	International Bankers School, New York
1997	Harvard Business School, Boston (AMP)

Professional Experience

1986–1994	Various assignments, Credit Suisse
1994–1996	Delegate to the Board of Directors, CS Columna
1997–1998	CEO, Winterthur Columna
1998–2000	Member of the Corporate Executive Board and Head of Individual and Group Life Division, Winterthur Insurance
2000–2003	Member of the Executive Board of CSFS and responsible for the operational global life & pensions business, Credit Suisse

Previous Board Mandates

2005–2006	Chairman, Batigroup
2005–2007	Chairman, Converium
2006–2013	Member of the Board, Petroplus
2006–2015	Chairman (since 2011), Implenia
2007–2010	Member of the Board, Jelmoli

Current Board Mandates

Since 2003	Honorary Councillor (since 2016), British Swiss Chamber of Commerce
Since 2005	Chairman (since May 2019), Swissquote Group Holding Ltd
Since 2005	Chairman (since May 2019), Swissquote Bank Ltd
Since 2006	Chairman (since 2012), Allianz Suisse

Markus Dennler has not held official functions or political posts in 2019. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Dr Monica Dell'Anna (1971/Swiss and Italian national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since May 2018
Member of the Board of Swissquote Bank Ltd since May 2018
Member of the Nomination & Remuneration Committee

Educational Background

1996	Degree (M. Sc. equivalent) in Telecommunications Engineering, University of Pisa
2000	PhD in Telecommunication Engineering, King's College London
2002	McKinsey Mini-MBA in Finance, Strategy and Marketing (Faculty from INSEAD/Kellogg/Harvard)

Professional Experience

1997–2001	Research and later Senior Research Associate, King's College London
2002–2003	Consultant, McKinsey and Company
2003–2005	Senior Strategy Manager, Business Development and Strategy, Swisscom Fixnet Ltd
2006–2007	Head of Product Management Voice, Member of the Executive Board of "Small and Medium Enterprises", Swisscom Fixnet Ltd
2008–2010	Head Customer Experience Design (Product Management), Member of the Executive Board of "Small and Medium Enterprises", Swisscom Fixnet Ltd
2011–2013	Head of Fiber Business and New IT, Member of the Executive Board of "Network and IT" Swisscom (Switzerland) Ltd
2013–2015	Head of Market and Member of the Executive Board, BKW Ltd
2016–2019	Head of Products (until December 2018 Head of Business Media) and Member of the Group Executive Board, NZZ-Mediengruppe Ltd

Previous Board Mandates

2013–2015	Member of the Board, BKW Italia Ltd
2013–2015	Member of the Board, Youtility Ltd
2013–2015	Chairwoman of the Board, cc energie
2014–2015	Member of the Board, Gasverbund Mittelland (GVM)
2016–2019	Chairwoman of the Board, following companies of the NZZ-Mediengruppe Ltd
	– Architonic Ltd (Member of the Board until 2017)
	– Spoundation Motion Picture Ltd
	– Zurich Film Festival Ltd
	– NZZ Konferenzen Ltd
	– Moneyhouse Deutschland Ltd
	– Swiss Economic Forum (SEF) Ltd
	– NZZ Fachmedien Ltd
	– Moneyhouse Ltd (since 2017)

Current Board Mandates

Since 2018	Member of the Board, Swissquote Group Holding Ltd
Since 2018	Member of the Board, Swissquote Bank Ltd

Monica Dell'Anna has not held official functions or political posts in 2019. With the exception of the above-mentioned activities, she has no significant business connections with the Company or one of the Company's subsidiaries.

Martin Naville (1959/Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since April 2007
Vice Chairman of the Board of Swissquote Bank Ltd since May 2019 (member since April 2007)
Member of the Audit & Risk Committee

Educational Background

1979–1984	Master of the Laws, University Zurich

Professional Experience

1985–1988	Assistant Treasurer, J.P. Morgan Bank, Zurich/New York
1988–1990	Consultant, The Boston Consulting Group, Munich
1990–1992	Project Leader, The Boston Consulting Group, Zurich
1992–1995	Manager, The Boston Consulting Group, New York
1995–2004	Partner and Director, The Boston Consulting Group, Zurich
Since 2004	CEO, Swiss-American Chamber of Commerce, Zurich

Current Board Mandates

Since 2002	Chairman (since 2004), Zoo Zurich Inc.
Since 2007	Member of the Board, Swissquote Group Holding Ltd
Since 2007	Vice Chairman (since 2019), Swissquote Bank Ltd

Martin Naville has not held official functions or political posts in 2019. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Dr Beat Oberlin (1955/Swiss national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since May 2016
Member of the Board of Swissquote Bank Ltd since May 2016
Chairman of the Nomination & Remuneration Committee

Educational Background

1979	Licentiate in Law, University of Basel
1982	Attorney at Law and notary, admitted to the Bar
1989	Doctorate in Law, University of Basel
1999	Stanford Business School, Stanford CA, Senior Executive

Professional Experience

1982–1994	Various assignments, SBG
1994–2004	Head of Retail and Head of Corporate Clients, Chief of Staff, Head of market and sales management, Business Banking, UBS, Switzerland
2004	Designated CEO, Basellandschaftliche Kantonalbank
2005–2016	Chairman of the Executive Board, Basellandschaftliche Kantonalbank

Previous Board Mandates

2005–2016	Member of the Board, Association of Swiss Cantonal Banks
2005–2016	Member of the Board, Basel Bank Association
2013–2019	Member of the panel of experts appointed by the Federal Council for the "Advancement of Financial Centre Strategy" and its successor "Advisory Board for the Future of the Financial Center"

Current Board Mandates

Since 2011	Vice President of the Board (since 2018), St. Clara Spital Group
Since 2016	Member of the Board, Swissquote Group Holding Ltd
Since 2016	Member of the Board, Swissquote Bank Ltd
Since 2018	Vice President of the Board, University of Basel [1]

Beat Oberlin has not held official functions or political posts in 2019. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

[1] Since 2020, Beat Oberlin is Chairman of the Board of the University of Basel.

Jean-Christophe Pernollet (1966/French national, domiciled in Switzerland)
Member of the Board of Swissquote Group Holding Ltd since May 2015
Member of the Board of Swissquote Bank Ltd since November 2014
Chairman of the Audit & Risk Committee

Educational Background

1986	Bachelor of Science in Economics and Politics, Institut d'Etudes Politiques, Grenoble
1986	Institute of European Studies, Hull
1990	Master in Management, EDHEC Business School, Lille
2002	Senior Executive program, Columbia Business School, New York

Professional Experience

1990–1993	Deloitte & Touche, Paris, France, Audit	
1993–2010	PricewaterhouseCoopers:	
	1993–1997	Audit, Geneva
	1997–1999	since 1998 Senior Manager, Audit, New York
	1999–2010	since 2001 Partner and Business Unit Leader, Audit, Geneva
2010–2012	EFG International AG, Chief Financial Officer	
Since 2012	Edmond de Rothschild, Switzerland:	
	2012–May 2015 Group Chief Financial Officer, then Chief Audit Executive	
	Since June 2015 Group Chief Risk Officer	

Previous Board Mandates

2010–2012	Member of the Audit & Risk Committee, EFG Private Bank Ltd, London
2013–2014	Member of the Board, Edmond de Rothschild (Europe), Luxembourg

Current Board Mandates

Since 2014	Member of the Board, Swissquote Bank Ltd
Since 2015	Member of the Board, Swissquote Group Holding Ltd
Since 2015	Chairman of the Board, Edmond de Rothschild Real Estate SICAV
Since 2015	Member of the Board and Chairman of the Audit & Risk Committee, Edmond de Rothschild Asset Management (Switzerland) Ltd
Since 2015	Chairman of the Board, Edmond de Rothschild Pension Fund

Jean-Christophe Pernollet has not held official functions or political posts in 2019. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

3.1.2 Former member of the Board of Directors

Mario Fontana (1946/Swiss national, domiciled in Switzerland)
Chairman of the Board of Swissquote Group Holding Ltd from April 2002 to May 2019
Chairman of the Board of Swissquote Bank Ltd from April 2004 to May 2019

For additional information on Mario Fontana, reference is made to the Corporate Governance Report 2018.

3.2 Other activities and vested interests

None of the Board members has activities or vested interests (as defined in the SIX Swiss Exchange regulations) other than the ones described in Section 3.1.

3.3 Number of permitted activities

Pursuant to Art. 16 Para. 4 of the AoI, the number of mandates held in superior governing or administrative bodies of legal entities outside the Company and its affiliates, which must be registered with the Swiss Commercial Register or a comparable foreign register, is limited for members of the Board to 15 mandates held in business undertakings, a maximum of four of which may be in listed companies, and to five mandates held in other legal entities such as foundations and associations. Mandates held in different legal entities of one and the same single group of companies or mandates on behalf of a group or legal entity shall be counted as one mandate. Limits may be exceeded for a short-term period of time, but by no more than one third of the number of permitted mandates per above-mentioned category.

3.4 Elections and terms of office

The Board must have a minimum of three members elected at the General Meeting of Shareholders. According to Art. 16 Para. 2 of the AoI, the members of the Board are elected individually for a term of office that finishes at the end of the next Ordinary General Meeting. Re-election is permitted. New members of the Board appointed during a term of office can only be elected to serve until the end of that term. The Chair is elected at the General Meeting until the next Ordinary General Meeting.

The Board has always been composed of non-executive members. The Board acts at the same time as the Board of Directors of Swissquote Bank Ltd.

The time of the first election of the current Board members is mentioned in Section 3.1.

3.5 Internal organisational structure

3.5.1 Generalities

The operating of an international financial services group comprising a bank in Switzerland and a bank in Luxembourg as well as investment firms located in major financial places requires, inter alia, a proper organisation and an efficient consolidated supervision by the Company.

The organisation and responsibilities of the Group entities are mainly set out in the Policy on the consolidated supervision, which in particular aims at ensuring that:

- The Group is duly organised and has a proper structure and governance, including a cohesive set of by-laws, policies and regulations;
- The Group has an appropriate internal control system and the Group entities comply with the regulations applicable to them;
- The risks implied by the activities of the Group, including legal and reputation risks, are adequately identified, mitigated and monitored;
- The Board members, the Executive Management members and other key persons in the Group provide assurance of proper business conduct;
- The applicable regulations on the fight against money laundering and terrorist financing are duly complied with throughout the Group;
- The applicable regulations on the establishment of financial statements as well as on capital adequacy, liquidity, risk diversifications, risk positions and other relevant quantitative parameters are duly complied with throughout the Group.

The level of competence for making decisions in the Company (including according to levels of financial materiality) is set forth in the Organisation Regulations and other internal regulations and is summarised in the Regulation relating to responsibilities and financial powers.

After each Ordinary General Meeting, where all Board members and the Chair are elected, the Board appoints its Secretary. The Board may form one or several advisory committees, which consist of members of the Board. The Committees are in charge of proposing board resolutions to the full Board with respect to specific matters. In 2019, there were two such Committees at the level of the Group: the Audit & Risk Committee and the Nomination & Remuneration Committee. Such Committees must report to the Board on a regular basis, but at least once per quarter for the Audit & Risk Committee and twice a year for the Nomination & Remuneration Committee. Further, certain functions of the Board are delegated to the Chair.

3.5.1 Generalities (continued)
The Board meets as often as required, but at least four times a year. The Board and the Committees plan and coordinate their activities in accordance with a yearly planning schedule that covers all matters requiring the Board's attention and thus ensures that the Board's activity is compliant with applicable laws and regulations.

In 2019, the Board met ten times (six physical meetings and four conference calls), out of which one meeting was a strategy session and another meeting the so-called Annual Conference on Risks (see Section 3.7). In average, a physical meeting lasted for four and a half hours and a conference call lasted for forty-five minutes. The Executive Management was present at all meetings, except where there was a review of their personal situation. On various occasions, decisions were taken by means of circular resolutions and ratified at the next Board meeting.

3.5.2 Functions of the Board of Directors
The Board acts as the ultimate direction of the Company and has the power to decide on all matters that are not vested in the General Meeting or in any other body by law or pursuant to the AoI or the Organisation Regulations. It is the Board's responsibility to perform, inter alia, the following functions:

- Define the strategy and the objectives of the Company and approve the implementation or cessation of business activities;
- Establish the overall organisation and, in particular, approve the organisation chart of the Group based on the proposal of the Executive Management;
- Decide on the appointment, suspension and dismissal of the Executive Management and of the other signatories of the Company;
- Appoint the Chairs of the Committees;
- Based on the proposal of the Nomination & Remuneration Committee, submit to the General Meeting proposals of maximum aggregate amounts of remuneration for the Board and the Executive Management and decide, within the framework of the General Meeting's resolutions, on the remuneration of the Board and the Executive Management;
- Based on proposals of the Audit & Risk Committee, determine the applicable accounting standards, the principles governing the internal control system (including for what regards the financial control), the financial planning and the financial disclosure policy, as well as approve the capital planning and the annual budget;
- Approve the annual financial statements and regular interim financial reporting prior to their disclosure and after clearance by the Audit & Risk Committee;
- Supervise the achievement of the Group's objectives in terms of sustainability, gender diversity and wage fairness;
- Prepare the Annual Report, the Corporate Governance Report and the Remuneration Report;
- Prepare the General Meeting (including the invitation to the General Meeting) and execute the General Meeting's resolutions;
- Decide on the nomination, renewal or dismissal of the auditors and of the internal auditor;
- Supervise the Executive Management, in particular with regard to compliance with laws, the AoI, the internal regulations and the Board's instructions;
- Approve the risk policy and the key risk management principles;
- Pass resolutions in connection with a capital increase pursuant to Art. 651a, 652g and 653g CO and make decisions pursuant to Art. 634a Para. 1 CO (contributions on shares not fully paid-up) and 651 Para. 4 CO (increase of share capital in the case of authorised capital);
- Approve mass redundancies of employees pursuant to Art. 335d CO or similar foreign regulations;
- Notify the competent authority in case of over-indebtedness; and
- Approve those matters for which the Executive Management has to seek approval by the Board, in particular through the approval of internal regulations.

The Board's approval is also required for specific transactions that do not fall under the ordinary business activities and/or which financially exceed defined thresholds.

Board members may not act alone on behalf of the Company and may not give instructions on their own, except where the AoI, the internal regulations or a resolution of the Board provide otherwise.

3.5.3 Functions delegated to the Chair
The Chair performs, inter alia, the following functions:

- Chair the meetings of the Board and the General Meeting of Shareholders;
- Ensure that all relevant matters are duly part of the Board meeting agenda and subject to an appropriate follow-up. Relevant matters include strategy, business, financial risk and compliance matters as well as environmental, social and governance matters;
- Represent the Board vis-à-vis the public at large, public officials and the shareholders.

3.5.4 Rules governing decisions
The majority of members shall be present for the Board to be quorate. Resolutions of the Board are passed by a majority of the votes cast by the members present. In the event of a tie, the Chair has the casting vote. For decisions that are taken in relation to a capital increase (ordinary, conditional or authorised increase), including the related modifications of the AoI, the quorum is also achieved when a single member of the Board is present.

For further information on quorum and decisions, reference is made to the AoI (in particular Art. 17).

3.5.5 Audit & Risk Committee
Board members on the Committee: Jean-Christophe Pernollet (Chairman) and Martin Naville.

The Audit & Risk Committee's primary function is to assist the Board in fulfilling its oversight responsibilities defined by law, the AoI, internal regulations or otherwise with respect to financial reporting and risk management. The Audit & Risk Committee has no decision-making powers. It only acts in an advisory or preparatory capacity.

In terms of financial reporting, the oversight responsibilities of the Audit & Risk Committee include, inter alia, the following:

– Monitor and assess the overall integrity of the financial statements;
– Monitor the adequacy of the financial accounting, financial planning and reporting processes and the effectiveness of internal controls over financial reporting;
– Monitor processes designed to ensure compliance by the Group and its entities in all significant respects with legal and regulatory requirements, including disclosure controls and procedures, and the impact (or potential impact) of developments related thereto;
– Make recommendations to the Board as to the application of accounting standards;
– Inform the Board of the result of the above-mentioned tasks and make a recommendation as to whether the financial statements should be submitted to the General Meeting;
– Monitor and assess the qualifications, independence and performance of the auditors and their interactions with the internal auditor; and
– Review the risk analysis, the audit plan and all reports from the auditors and supervise the actions taken by the Executive Management following the audit results.

In terms of risk management, the oversight responsibilities of the Audit & Risk Committee include, inter alia, the following:

– Assess, at least annually, the Group's risk management framework (in particular the risk capacity, the risk appetite and the risk tolerance), make corresponding recommendations to the Board and ensure that necessary changes are made;
– Monitor and assess the risk management framework, including the internal control systems of the Company and of Swissquote Bank Ltd;
– Oversee that the Executive Management has identified and assessed all the significant risks that the Group and its entities face and has established a risk management infrastructure capable of addressing those risks;
– Oversee, in conjunction with the Board and, where applicable, other board-level committees, risks, such as strategic, credit, market, liquidity, operational and reputational risks;
– Assess the Group's capital and liquidity planning and report to the Board;
– Monitor and assess the qualifications, independence and performance of the internal auditor;
– Review the internal auditor's risk assessment, audit plans and all their reports and supervise the actions taken by the Management following the audit results; and
– Make recommendations to the Board as to the nomination, renewal or dismissal of the auditors and of the internal auditor.

The Audit & Risk Committee meets at least once per quarter. In 2019, it met five times (four physical meetings and one conference call). In average, a physical meeting lasted for two hours and 45 minutes and a conference call lasted in average for 45 minutes. At each meeting held in 2019, the Chairman Jean-Christophe Pernollet, Martin Naville and the other Board members were present. Members of the Executive Management were invited to all the meetings. The auditors were present at the four physical meetings (once via telecommunication means) and at the conference call. The internal auditors were present at the four physical meetings and at the conference call. No external counsels attended the meetings.

3.5.6 Nomination & Remuneration Committee

Board members on the Committee: Beat Oberlin (Chairman) and Monica Dell'Anna.

The Nomination & Remuneration Committee meets at least twice a year. In 2019, it met six times (four physical meetings and two conference calls). In average, a physical meeting lasted one hour and 30 minutes and a conference call lasted in average 30 minutes. At each meeting held in 2019, the Chairman Beat Oberlin, Monica Dell'Anna and the other Board members were present. Members of the Executive Management were invited to all the meetings, except where there was a review of their personal situation. No external counsels attended the meetings.

Further details on the Nomination & Remuneration Committee are provided in the Remuneration Report.

3.6 Definition of areas of responsibility

All executive functions within the Group not reserved to the Board or to the Chair are delegated to the Executive Management. The Executive Management is responsible for the implementation of the business strategies approved by the Board and for the compliance of the operations with the risk management policies approved by the Board. Further, the Executive Management ensures the maintenance and development of a corporate framework in line with the corporate values approved by the Board.

The Executive Management in particular has the responsibility to perform the following functions:

- Implement the strategy decided by the Board and execute its decisions and instructions;
- Prepare the items to be discussed by the Board;
- Ensure that the internal organisation of the Company meets the needs of its business activities and its development;
- Propose the organisation chart to the Board;
- Hire the employees and set their employment conditions according to the guidelines issued by the Board;
- Prepare the list of signatories for Board approval;
- Supervise accounting, financial control and financial planning;
- Prepare the budget for Board approval;
- Prepare the reporting to the attention of the Board;
- Prepare the financial statements for Board approval and publish them;
- Ensure compliance with laws and regulations, in particular for what regards capital adequacy requirements, liquidity, risk diversification and privileged deposits and monitor the related developments;
- Delegate competences to committees; and
- Draft the internal regulations for Board approval.

The delegation process to the Management is documented in the internal regulations and the Board has an overview of the delegation process through the summary provided in the Regulation relating to responsibilities and financial powers. The following functions and entities report to:

Members of the Executive Management 2019	Functions and entities
Marc Bürki, CEO	Group entities
Paolo Buzzi, CTO	Group entities / Project Management / Quantitative Asset Management / Software Engineering
Yvan Cardenas, CFO	Finance, Reporting & Tax
Gilles Chantrier, CRO	Controlling & Risk
Jan De Schepper, CSO	Customer Care / Marketing / Sales eTrading Private Clients & Partners / Sales Headquarters
Lino Finini, COO	Business Operations / Facility Management / Information Technology & Security
Morgan Lavanchy, CLO	Legal & Compliance
Michael Ploog, CIO	Assets & Liabilities Management & Treasury / eForex Trading & Market Strategy / Human Ressources / Trading

The Executive Management is further assisted by committees consisting of members of the Management that carry out coordination and reporting functions and make recommendations to the Executive Management. At least one member of the Executive Management sits in each committee.

3.7 Information and control instruments vis-à-vis the Executive Management

The Group operates a comprehensive management information system that provides the Executive Management with all data required to manage and control the business and to report relevant information to the Board.

The Board periodically reviews the nature of the reporting prepared by the Executive Management and the frequency of the respective reports. The reporting may be summarised as follows:

- Quarter 1 and 3 reporting in particular includes (1) the CEO Report, which inter alia provides an update on key financial figures, business activities, important projects, key operational matters and investor relations, (2) the Financial Report, which reports on the key financial matters (including budgets and capital management issues), together with a full set of condensed consolidated interim financial statements (established for internal purposes only), (3) the Risk Report, which informs on risk-related matters and (4) the Legal & Compliance Report, which reports on legal, compliance and regulatory matters;
- Half-yearly reporting covers the same scope as the quarter 1 and 3 reporting, except that an interim statutory balance sheet and income statement of Swissquote Bank Ltd is provided in addition to the condensed consolidated interim financial statements. This latter document is reviewed by the auditors and serves as basis for the half-year press release; and
- Yearly reporting covers the same scope as the half-year reporting and includes the audited consolidated and statutory financial statements for both the Company and Swissquote Bank Ltd.

Once a year, the Board organises a conference dedicated to an in-depth review of the risks, internal control systems and risk management processes (the "Annual Conference on Risks"). The Executive Management and the respective heads of Information Technology & Security and Assets & Liabilities Management & Treasury provide the Board with their own risk assessment and their recommendations with respect to the enhancement of the internal control systems and risk management processes.

Ad hoc reporting is addressed to the Board when required by the circumstances or upon request by the Board. Further, the Executive Management must immediately report to the Board material matters outside the ordinary course of business.

The Board and the Committees may invite the Executive Management in corpore or some of its members to all or parts of the meetings.

The function of internal auditor, reporting directly and independently to the Board of Directors of Swissquote Bank Ltd, is outsourced to BDO SA, Geneva, which is a member of the Institute of Internal Auditing Switzerland. The duties of the internal auditor are governed by the Ordinance on Banks and Savings Banks, FINMA Circular 2017/1 "Corporate governance – banks" and the applicable internal regulations. The internal auditor analyses the compliance of business activities with legal and regulatory requirements and applicable internal regulations. The internal auditor carries out the audit plan approved by the Board and reports its significant findings and recommendations in writing. It also executes ad hoc missions and investigations upon request of the Board. The internal auditor provides the Board with a specific half-year summary report that reviews, inter alia, the progress made by the Company in implementing the recommendations made in earlier reports and includes relevant information with respect to the execution of the audit plan. The internal auditor participates in the Annual Conference on Risks and provides the Board with its own assessment of the risks, internal control systems and risk management processes. The Board formally takes note of the reports of the internal auditor and reviews the conclusions and comments made by the Audit & Risk Committee, which examines the reports in detail.

Swissquote Bank Ltd is responsible for performing consolidated supervision functions that cannot be performed at the level of the Company, in particular when the necessary resources or systems are not available in the Company.

In terms of risk management, the Company complies, inter alia, with the requirements of FINMA Circular 2017/1 "Corporate governance – banks" and maintains an extensive risk management framework which addresses risks related to a banking activity (credit risk, market risk, interest risk, operational risk, reputation risk, etc.).

4 Executive Management

4.1 Members of the Executive Management

On 1 March 2019, Yvan Cardenas, Jan De Schepper and Lino Finini were appointed to the Executive Management. As at 31 December 2019, the Executive Management consisted of eight members.

Members of the Executive Management 2019	Nationality	Year of birth	Year of arrival at the Executive Management
Marc Bürki, CEO [1]	Swiss	1961	1999
Paolo Buzzi, CTO [1]	Swiss	1961	1999
Yvan Cardenas, CFO	Swiss	1980	2019
Gilles Chantrier, CRO	Swiss and French	1972	2017
Jan De Schepper, CSO	Swiss and Belgian	1976	2019
Lino Finini, COO	Swiss	1965	2019
Morgan Lavanchy, CLO	Swiss	1979	2017
Michael Ploog, CIO	Swiss	1960	1999

[1] Marc Bürki and Paolo Buzzi are founding shareholders of the Company and are major shareholders as at 31 December 2019.

4.1 Members of the Executive Management (continued)

Marc Bürki (1961/Swiss national, domiciled in Switzerland)
Chief Executive Officer (CEO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd
Founding partner of Swissquote Group Holding Ltd

Educational Background

1982–1987	Degree in Electrical Engineering, Swiss Federal Institute of Technology (EPFL), Lausanne

Professional Experience

1987–1990	Telecommunication Specialist, European Space Agency, Nordweijk, Netherlands
1990–2002	Co-Managing Director, Marvel Communications Ltd
Since 1999	Chief Executive Officer, Swissquote Group Holding Ltd
Since 2002	Chief Executive Officer, Swissquote Bank Ltd

Current Board Mandates

Since 2012	Chairman of the Board, Swissquote MEA Ltd, Dubai, UAE
Since 2014	Chairman of the Board, Swissquote Ltd, London, UK
Since 2014	Chairman of the Board, Swissquote Asia Ltd, Hong Kong
Since 2016	Member of the Board, ETH Domain, Bern
Since 2019	Chairman of the Board, Swissquote Pte. Ltd, Singapore
Since 2019	Chairman of the Board, Swissquote Bank Europe SA, Luxembourg

Paolo Buzzi (1961/Swiss national, domiciled in Switzerland)
Chief Technology Officer (CTO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd
Founding partner of Swissquote Group Holding Ltd

Educational Background

1983–1988	Degree in Micro-Engineering, Swiss Federal Institute of Technology (EPFL), Lausanne

Professional Experience

1988–1990	Software Engineer and New Technology Integration Engineer, Rolm Systems, Santa Clara, USA
1990–2000	Co-Managing Director, Marvel Communications SA
2000–2004	Chief Executive Officer, Swissquote Info SA
Since 1999	Chief Technology Officer, Swissquote Group Holding Ltd
Since 2002	Chief Technology Officer, Swissquote Bank Ltd

Current Board Mandates

Since 2002	Chairman of the Board, Swissquote Trade Ltd, Gland, Switzerland
Since 2012	Member of the Board, Swissquote MEA Ltd, Dubai, UAE
Since 2012	Chairman (2012–March 2015: Vice Chairman), Swissquote Financial Services (Malta) Limited, Valletta, Malta
Since 2016	Member of the Strategic Advisory Board, EPFL, Lausanne
Since 2019	Member of the Board, NetGuardians, Yverdon-les-Bains

Yvan Cardenas (1980/Swiss national, domiciled in Switzerland)
Chief Financial Officer (CFO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

Educational Background

1999–2003	Bachelor and Master Degree, Hautes Etudes Commerciales (HEC), University of Lausanne and St. Gallen (exchange)
Since 2007	Swiss Certified Public Accountant
Since 2016	Swiss Certified Tax Expert

Professional Experience

2003–2010	Manager in Audit/Financial Services (since 2008), PricewaterhouseCoopers, Lausanne
2010–2011	Senior Officer, Swissquote Bank Ltd
2011–2013	Head Accounting & Reporting, Swissquote Bank Ltd
2014–2018	Head Finance, Reporting & Tax, Swissquote Bank Ltd
Since 2019	Chief Financial Officer, Swissquote Group Holding Ltd/Swissquote Bank Ltd

Current Board Mandates

Since 2019	Member of the Board, Swissquote Bank Europe SA, Luxembourg

Other Mandates

Since 2016	Member of the Committee, EXPERTsuisse – Section Vaud
Since 2019	Member of the Tax Commission, Chambre vaudoise du commerce et de l'industrie
Since 2019	Member of the Board of the Social Insurances Committee AVS/AI/APG/AF, Chambre vaudoise du commerce et de l'industrie

Gilles Chantrier (1972/Swiss and French national, domiciled in Switzerland)
Chief Risk Officer (CRO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

Educational Background

1997–2000	Bachelor – B.Sc. in Economics, School of Business Administration (HEG), Lausanne
2016	Risk Management in Banking, Institut européen d'administration des affaires (INSEAD), Fontainebleau

Professional Experience

1995–1997	Accountant, Infogest SA
2000–2002	Deputy Head Accounting, Swissquote Bank Ltd
2002–2003	Head Backoffice, Swissquote Bank Ltd
2003–2005	Head Internal Controlling, Swissquote Bank Ltd
2005–2013	Head Reporting & Controlling, Swissquote Bank Ltd
2014–2016	Head Controlling & Risk, Swissquote Bank Ltd
Since 2017	Chief Risk Officer, Swissquote Group Holding Ltd/Swissquote Bank Ltd

Current Board Mandates

Since 2010	Member of the Board, Foundation Swissquote 3rd Pillar
Since 2014	Member of the Board, Swissquote Ltd, United Kingdom
Since 2014	Member of the Board, Swissquote MEA Ltd, Dubai, UAE
Since 2014	Member of the Board, Swissquote Asia Ltd, Hong Kong
Since 2019	Member of the Board, Swissquote Pte. Ltd, Singapore
Since 2019	Member of the Board, Swissquote Bank Europe SA, Luxembourg

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Jan De Schepper (1976/Swiss and Belgian national, domiciled in Switzerland)

Chief Sales & Marketing Officer (CSO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

Educational Background

1997–2000	BSc in Business Management, University of Applied Science (FHNW), Olten
2011–2013	Executive MBA in International Management, University of Geneva

Professional Experience

2000–2002	Junior Brand Manager, Feldschlösschen Getränke (Carlsberg Group), Rheinfelden
2002–2003	Brand Manager, Feldschlösschen Getränke (Carlsberg Group), Rheinfelden
2003–2004	Brand Manager, Bacardi-Martini, Geneva
2004–2008	Account Director, Saatchi & Saatchi, Geneva
2008–2015	Marketing Manager, McDonald's Switzerland, Lausanne
2015–2019	Head Marketing, Swissquote Bank Ltd
Since 2019	Chief Sales & Marketing Officer, Swissquote Group Holding/Swissquote Bank Ltd

Current Board Mandates

Since 2018	Member of the Board, SWA/ASA – National Advertiser Association, Zurich

Lino Finini (1965/Swiss national, domiciled in Switzerland)

Chief Operating Officer (COO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

Educational Background

1987–1988	Computer Science Studies, Lausanne
2008	Fund Officer FA/IAF, Zurich

Professional Experience

1988–1992	Developer, Banque Indosuez, Lausanne
1992–1996	Associate Director, IT Operations, Banque Indosuez, Lausanne
1996–2001	Software and Hardware Architect, LaserCom Ltd, Geneva
2001–2002	Core Banking Specialist, Swissquote Info Ltd
2002–2004	Head Banking Applications, Swissquote Bank Ltd
2004–2019	Head Back Office & Banking Applications, Swissquote Bank Ltd
Since 2019	Chief Operating Officer, Swissquote Group Holding Ltd/Swissquote Bank Ltd

Current Board Mandates

Since 2015	Member of the Board, Swissquote Financial Services (Malta) Limited, Valletta, Malta
Since 2019	Member of the Board, Groupement Hospitalier de l'Ouest Lémanique (GHOL), Nyon

Morgan Lavanchy (1979/Swiss national, domiciled in Switzerland)

Chief Legal Officer (CLO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

Educational Background

1997–2002	Master of Laws, Law School, University of Neuchâtel
2002–2004	Master of Advanced Studies (LL.M.) in Business Law, Law School, Universities of Lausanne and Geneva
2011	Certificate DIFC Rules & Regulations, Chartered Institute for Securities & Investment

Professional Experience

2003–2006	Legal Officer, Swissquote Bank Ltd
2006–2016	Head Legal & Compliance, Swissquote Bank Ltd
Since 2017	Chief Legal Officer, Swissquote Group Holding Ltd/Swissquote Bank Ltd

Current Board Mandates

Since 2010	Secretary, Foundation Swissquote 3rd Pillar

Other Mandate

Since 2018	Member of the Executive Committee, Capital Markets and Technology Association

Michael Ploog (1960/Swiss national, domiciled in Switzerland)

Chief Investment Officer (CIO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

Educational Background

1980–1983	Hautes Etudes Commerciales (HEC), University of Lausanne
1986–1990	Swiss Certified Public Accountant, Swiss Institute of Certified Public Accountants, Lausanne

Professional Experience

1983–1985	Chair of Financial and Cost Accounting, Graduate Teaching Assistant, University of Lausanne	
1986–1998	Senior Manager (since 1995), Deloitte	
	1986–1994	Audit, Geneva
	1994–1996	Corporate Finance, London
	1996–1998	Management Advisory Services, Lausanne
1998–1999	Senior Manager Transaction Services Group & Corporate Finance, PricewaterhouseCoopers, Lausanne	
1999–2019	Chief Financial Officer, Swissquote Group Holding Ltd	
2000–2019	Chief Financial Officer, Swissquote Bank Ltd	
Since 2019	Chief Investment Officer, Swissquote Group Holding Ltd/Swissquote Bank Ltd	

Current Board Mandates

Since 1999	Member of the Board, Swissquote Trade Ltd, Gland, Switzerland
Since 2010	Chairman, Foundation Swissquote 3rd Pillar
Since 2012	Vice Chairman of the Board, Swissquote MEA Ltd, Dubai, UAE

Other Mandates

Since 1999	Secretary of the Board, Swissquote Group Holding Ltd
Since 2006	Secretary of the Board, Swissquote Bank Ltd
Since 2012	Member of the Selection Committee, FIT – Fondation pour l'Innovation Technologique

4.2 Other activities and vested interests
None of the members of the Executive Management has activities and vested interests (as defined in the SIX Swiss Exchange regulations) other than the ones described in Section 4.1.

4.3 Number of permitted activities
Pursuant to Art. 16 Para. 4 of the AoI, the number of mandates held in superior governing or administrative bodies of legal entities outside the Company and its affiliates, which must be registered with the Swiss Commercial Register or a comparable foreign register, is limited for members of the Executive Management to four mandates held in business undertakings, a maximum of one of which may be in a listed company, and to five mandates held in other legal entities such as foundations and associations. Mandates held in different legal entities of one and the same single group of companies or mandates on behalf of a group or a legal entity shall be counted as one mandate. Limits may be exceeded for a short-term period of time, but by no more than one third of the number of permitted mandates per above-mentioned category.

4.4 Management contracts
The Company has not entered into management contracts with third parties.

5 Remuneration, shareholding and loans
Details on the remuneration, shareholding and loans are provided in the Remuneration Report.

6 Shareholders' participation
6.1 Generalities
Shareholders in Swiss corporations limited by shares have extended protective and participatory rights. Protective rights include the right of inspection and information (Art. 696 and 697 CO), the right to a special audit (Art. 697a CO), the right to call a General Meeting (Art. 699 Para. 3 CO), motion rights (Art. 699 Para. 3 CO), the right to challenge resolutions of the General Meeting (Art. 706 CO) and the right to instigate liability proceedings (Art. 752 ff CO). Participatory rights primarily include the right to participate in General Meetings of Shareholders, the right to express an opinion and voting rights (Art. 694 CO). The Ordinance against Excessive Compensation in Listed Corporations grants additional rights to shareholders, such as with respect to the election of the independent proxy, whose term of office ends at the next Ordinary General Meeting. For further information on this ordinance, reference is made to the Remuneration Report.
The General Meeting is the highest body of the Company. It has the following non-transferable powers to:

- Establish and amend the AoI;
- Annually elect the members of the Board, the Chair of the Board, the members of the Remuneration Committee, the independent proxy and the auditors;
- Approve the Annual Report and the Consolidated Financial Statements;
- Approve the Annual Financial Statements and adopt resolutions concerning the allocation of the disposable profit, in particular set the dividend as well as the profit-sharing bonus;
- Discharge the members of the Board;
- Approve the remuneration of the Board and the Executive Management in accordance with Art. 14^{bis} of the AoI; and
- Pass resolutions on all matters reserved to the General Meeting by law or the AoI.

For further information on the General Meeting, reference is made to the AoI (in particular Art. 9, 10 and 11).

6.2 Voting rights and representation restrictions
Pursuant to Art. 12 of the AoI, every person duly entered in the share register as a shareholder with voting rights is entitled to exercise the rights attached to the registered shares. Shareholders may have their shares represented at the General Meeting by a legal representative or, with a written power of attorney, by a third party, who is not required to be a shareholder of the Company. The Board shall decide on the requirements regarding powers of attorney and instructions; powers of attorney without qualified electronic signatures may also be recognised. The final decision on the validity of powers of attorney rests with the Chair of the Board.

Pursuant to Art. 7 of the AoI, upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. The AoI do not contain any express provisions for granting exceptions to this limitation.

The AoI do not contain any provisions on abolishing voting-rights restrictions; the general rules of the Swiss Code of Obligations apply.

Specific rules on the issue of instructions to the independent proxy or on the electronic participation in the General Meeting are set by the Board and communicated to shareholders in the invitation to the General Meeting.

6.3 Quorums required by the Articles of Incorporation

Where a General Meeting has been convened in accordance with the provisions of the law and the AoI, decisions may be taken, irrespective of the number of shares represented or shareholders present at the General Meeting. Pursuant to Art. 12 of the AoI, the General Meeting is therefore quorate regardless of the number of shares represented.

Except when the law and/or the AoI provide otherwise, the General Meeting passes resolutions and conducts elections by an absolute majority of the voting rights validly represented. Elections require an absolute majority in the first round, and, if this is not achieved, a relative majority is sufficient in the second round. In the event of a tie, the Chair of the Board has the casting vote. As a rule, votes are cast electronically. If the electronic voting system fails, an open vote shall be held unless one or more shareholders who alone or together represent at least 5% of the voting rights request a secret ballot.

Pursuant to Art. 14 of the AoI, a resolution of the General Meeting adopted by at least two thirds of the votes represented and an absolute majority of the nominal values of the shares represented is required for:

- A change to the Company's purpose;
- The introduction of preferred voting shares;
- The restriction of the transferability of registered shares;
- An authorised or conditional capital increase;
- A capital increase by recourse to equity, against contribution in kind or for the acquisition of assets and the granting of special benefits;
- The restriction or revocation of subscription rights;
- The relocation of the Company's registered office; and
- The dissolution of the Company.

6.4 Convocation of the General Meeting of Shareholders

The General Meeting is convened by the Board in the normal course of business or otherwise by the auditors or the liquidator.

One or more shareholders of the Company may request the convocation of a General Meeting if all of the following conditions are satisfied:

- The shareholder or shareholders together hold at least 10% of the nominal value of the share capital entered in the commercial register on the day the request is received; and
- The shareholder or shareholders submit their request in writing and, at the same time, arrange for shares with a nominal value of at least 10% of the share capital to be blocked by the depository, the latter being required to issue confirmation that said shares have been blocked. The shares shall remain blocked until the day after the General Meeting.

For further information on the convocation of the General Meeting, reference is made to the AoI (in particular Art. 10 and 11).

6.5 Inclusion of items on the agenda

Pursuant to Art. 11 of the AoI, no resolutions may be passed on motions relating to agenda items that were not duly announced, except for motions by a shareholder to convene an extraordinary General Meeting, to carry out a special audit or to elect an auditor.

One or more shareholders of the Company may request that an item be included on the agenda if all of the following conditions are satisfied:

- The shareholder or shareholders together hold at least 5% of the nominal value of the share capital entered in the commercial register on the day the request is received;
- The shareholder or shareholders submit their request in writing and, at the same time, arrange for shares with a nominal value of at least 5% of the share capital to be blocked by the depository, the latter being required to issue confirmation that said shares have been blocked. The shares shall remain blocked until the day after the General Meeting; and
- The request is sent by registered letter to the attention of the Board at the registered office of the Company and shall arrive there at least 45 days prior to the General Meeting.

For further information on the agenda, reference is made to the AoI (in particular Art. 11).

6.6 Entries in the share register

Pursuant to Art. 6 of the AoI, the Company maintains a share register in which the names and addresses, respectively the corporate name and registered office of the owners of the registered shares and any usufructuaries, are entered into. The Board has mandated ShareCommService AG, Europa-Strasse 29, CH-8152 Glattbrugg, to maintain the Company's share register.

Pursuant to Art. 7 of the AoI, upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. For practical reasons, no new registration is made in the share register for a period up to 20 days before a General Meeting. Shareholders who sell their shares prior to the General Meeting are no longer entitled to exercise their votes.

For further information on entries in the share register, reference is made to the AoI (in particular Art. 6 and 7).

7 Changes of control and defence measures

7.1 Duty to make an offer

Art. 135 FMIA states that anyone who directly, indirectly or acting in concert with third parties acquires equity securities which, added to the equity securities already owned, exceeds the threshold of $33^1/_3$% of the voting rights of a target company, whether exercisable or not, must make an offer to acquire all listed equity securities of that company.

Art. 132 Para. 1 and 2 FMIA outlines the Board's obligation, in the event of a public takeover bid, to provide shareholders with the information they need in order to evaluate the offer and also prohibits the Board from taking defensive measures. No significant alteration in the assets or liabilities of the target company is permitted as from the time of the bid, aside from transactions that have already been approved at the General Meeting.

The AoI do not include any opting-out or opting-up clause.

7.2 Clauses on changes of control

None of the members of the Board, the members of the Executive Management or other employees benefit from change of control clauses.

8 Auditors

8.1 Generalities

The main duties of the auditors are to report to the General Meeting the results of their audits, the objective of which is to verify that the annual financial statements, the Annual Report and the proposed appropriation of retained earnings comply with the law and the AoI.

The auditors recommend the approval, with or without qualification, or the rejection of the annual financial statements. Further, when the Company is required to deliver consolidated financial statements, the auditors must report on the compliance with the law and the accounting principles adopted for the consolidation. The auditors must be present at Ordinary General Meetings, unless a unanimous resolution of the shareholders provides otherwise.

The consolidated financial statements and the statutory financial statements of the Company have been audited since 1999 by PricewaterhouseCoopers Ltd, which has been re-elected each year since then.

The auditors must be independent from the Board, the Executive Management and the shareholders. Except for tax matters, audit-related services and other services that can generally only be provided by the auditors (e.g. reviews of documents filed with FINMA), the Group uses consultants who are independent from the auditors.

In addition to their audit opinions, the auditors are requested to provide the Audit & Risk Committee with specific information such as their audit findings, comments on accounting issues and audit fee proposals.

8.2 Duration of the mandate and term of office of the lead auditor

The auditors are elected for a one-year term by the General Meeting and are eligible for re-election. They were re-elected on 10 May 2019. Since 2014, Beresford Caloia has been responsible for the audit of the Group. The rotation frequency of the lead auditor is maximum seven years.

8.3 Audit fees and additional fees

The total fees charged by the auditors to the Group in 2019 are analysed as follows:

	2019	2018
in CHF		
Audit fees	920,767	716,682
Additional fees:		
Tax	55,000	60,000
Total	**975,767**	**776,682**

Audit fees are agreed upon in advance for the audits of the consolidated and statutory financial statements of the Group companies, as well as for the regulatory audit of Swissquote Bank Ltd. They can be adjusted in the course of the relevant year under special circumstances.

In 2019, audit fees increased due to the growth of the Group's operations in Luxembourg mainly, as well as in Singapore.

Tax-related additional fees mainly cover the assistance provided to the Group when filing local tax returns.

8.4 Informational instruments pertaining to the auditors

The auditors closely interact with the Audit & Risk Committee and are invited to its meetings. In 2019, the auditors met five times with the Audit & Risk Committee.

Year-round, the auditors issue, inter alia, the following documents:

- Planning report with respect to the audit of the statutory and consolidated financial statements of the Company, respectively of the statutory financial statements of Swissquote Bank Ltd. The document includes information on (i) the developments in accounting standards, (ii) the auditors' risk analysis, (iii) the audit of the internal control system in connection with the preparation of the financial statements, (iv) the coordination of the auditors' activities with the internal auditor, (v) the estimated fees and (vi) the timeline of the audit;
- Planning report with respect to the regulatory audit, which includes information on (i) the changes in the regulatory environment, (ii) the auditors' risk analysis and the audit strategy pursuant to FINMA Circular 2013/3 on auditing, (iii) the estimated fees and (iv) the timeline of the audit activities;
- Review report with respect to the condensed consolidated interim financial statements;
- Comprehensive report to the Audit & Risk Committee and to the Board with respect to the statutory and consolidated financial statements of the Company, respectively to the Board of Directors of Swissquote Bank Ltd with respect to the statutory financial statements of Swissquote Bank Ltd. The document includes the auditors' key findings regarding the accounting, the internal control system and the performance and results of the audit;
- Regulatory audit report to FINMA, a copy of which is addressed to the Board of Directors;
- Report to the General Meeting of the Company, respectively of Swissquote Bank Ltd, on the results of the audit of the financial statements. The document includes (i) the auditors' opinion as to whether the financial statements should be approved with or without qualification, or rejected, (ii) information on the independence of the auditors, (iii) a confirmation as to whether an internal control system exists or not and (iv) a confirmation as to whether the proposed appropriation of retained earnings complies with the law and the AoI; and
- Report to the General Meeting of the Company on the Remuneration Report.

The above-mentioned documents are commented on by the auditors during meetings of the Audit & Risk Committee. In particular, the planning of the statutory and consolidated financial audits and the planning of the regulatory audit are discussed at the Annual Conference on Risks, to which the members of the Audit & Risk Committee attend.

The Audit & Risk Committee also receives copies of the reports related to Swissquote Bank Ltd's compliance with the provisions of agreements or private regulations (e.g. regulations issued by the SIX Swiss Exchange). This allows the Audit & Risk Committee to assess the work of the auditors performed outside the standard audit services, in particular in terms of conflicts of interest.

Once a year, the Audit & Risk Committee reviews the qualification, independence and performance of the auditors and assesses, inter alia, the level of expertise available, the adequacy of resources and the quality of the planning (in particular the coordination with the internal auditor). The Audit & Risk Committee assesses the auditors' independence on the basis of the auditors' related annual confirmation and on the Audit & Risk Committee's own assessment of the various reports addressed to its attention or of which it received a copy. The Audit & Risk Committee also assesses whether the amount and trend in audit fees appears reasonable. In this respect, changes to audit fees must be justified by the auditors, taking into consideration changes in volumes to be audited and/or the complexity of the audits. Based on its annual assessment, the Audit & Risk Committee recommends to the Board to either propose the General Meeting to re-elect the auditors or to start a process for the selection of new auditors.

9 Information policy

9.1 General principles

The Company's information policy aims primarily at promoting confidence, creating a better understanding of the Company's business and developing and maintaining realistic investor expectations.

The Company commits to providing timely and orderly information in accordance with the applicable legal and regulatory requirements, in particular with the provisions of the SIX Swiss Exchange regulations on ad hoc publicity. The Company aims at providing the financial market with consistent, accurate and complete information evenly during profitable or difficult periods and ensures that the investment community has fair access to such information.

It is the Company's policy not to release detailed earnings projections, but it may provide certain guidance and/or outlooks to the investment community for them to assess the Company and its business prospects.

As a general rule, material or price-sensitive information must be released promptly as soon as the main aspects of such information are established by the Company. However, the Company is permitted under the relevant regulatory provisions to postpone the release of material information, if the information concerns a plan or negotiation of the Company and its premature disclosure would prejudice the legitimate interest of the Company. In such case, the Company will take adequate measures to ensure the effective confidentiality of the information and to prevent insiders from trading on the basis of that information. The Company will adequately inform the investment community in cases where the information previously kept confidential is substantially leaked into the market.

The Company will generally avoid releasing material and price-sensitive information during trading periods of the Company's shares or shortly before opening of trading. If the information is to be released during normal trading hours of the SIX Swiss Exchange (9 a.m. to 5.30 p.m.) or less than 90 minutes before the opening of trading, the competent department (SIX Exchange Regulation) must be informed at least 90 minutes prior to the release of such information. In situations where it cannot be avoided that material information be disclosed during trading hours, the Executive Management must consider whether a request for a suspension of trading is appropriate. If material and non-public information is divulged unintentionally in a selective setting, such as analyst meetings or conference calls, which are not open to the investment community, the Company will publicly disclose such information promptly after the meeting or after it learns of the selective disclosure.

If the Company discovers that a statement made was, in fact, materially incorrect at the time it was disclosed, the Company will publicly issue a corrective statement of such incorrect statement as soon as the error is discovered. The Company will also issue in due time a corrective statement when new facts have emerged that make a previous disclosure false or misleading.

The Company does not comment on market rumours and speculations.

9.2 Reporting and corporate calendar

9.2.1 Annual and interim reporting

Company results are published by media releases shortly after the Board approves them. Such media releases are followed by a media and analyst conference as well as optional call-in conferences. The media releases, the presentations made at call-in and press conferences, Annual Reports (including the respective Corporate Governance Report and Remuneration Report) and interim consolidated financial statements are released on the Company website (https://en.swissquote.com/company/investors). Annual Reports, including the respective Corporate Governance Report and Remuneration Report, are available in print format on request.

9.2.2 Corporate calendar

The dates of the publication of the annual and interim results as well as the dates of the Ordinary General Meeting and of any extraordinary General Meeting are published on the Company website (https://en.swissquote.com/company/investors) and in media releases.

The Ordinary General Meeting generally takes place in April or May of each year and will, in 2020, take place on 5 May. The half-year reporting 2020 is scheduled on 11 August 2020.

9.3 Communication channels and contact addresses

Media releases (including ad hoc notices) and reports as well as other information made public are accessible on https://en.swissquote.com/company/media/press-releases in the section "Company". An e-mail service is available for subscription in the same section of the Company website and allows any interested party to automatically receive by e-mail all information made public by the Company.

Contact addresses can be found after the Remuneration Report.

Remuneration Report 2019
Content

Remuneration Report

1 Introduction

This Remuneration Report informs on the remuneration of the Board of Directors (the "Board") and the Executive Management of Swissquote Group Holding Ltd (the "Company") and, where applicable, its consolidated subsidiaries (together, the "Group"). It provides information on the Group's remuneration policy and the components of the remuneration, and reports on the type and size of payments made during the period under review.

In accordance with the Ordinance against Excessive Compensation in Listed Corporations (the "Ordinance"), the Company has the obligation to issue every year a Remuneration Report separately from the Annual Report. This Remuneration Report contains the information required by the Ordinance, Section 5 of the Annex to the SIX Swiss Exchange Directive on Information relating to Corporate Governance as well as Art. 663c of the Swiss Code of Obligations (CO). In accordance with the requirements set forth in the Ordinance, Section 5 of this Remuneration Report was audited by the Company's auditors, PricewaterhouseCoopers Ltd; a copy of the audit report is enclosed.

Although not legally required, but in line with international standards and its previous practice, the Board intends to submit this Remuneration Report to a consultative vote by the General Meeting of shareholders (the "General Meeting") at the Ordinary General Meeting (the "Ordinary General Meeting") of 5 May 2020.

The General Meeting shall approve annually, at the Ordinary General Meeting, the maximum aggregate amount of remuneration payable to (1) the Board for a period running from said Ordinary General Meeting to the next Ordinary General Meeting and (2) the Executive Management for the financial year starting after said Ordinary General Meeting. Section 5 of this Remuneration Report comprises tables that report on the total amount of remuneration granted to the Board and the Executive Management for the financial year under review. Therefore, as far as the remuneration of the Board is concerned, the period covered by the General Meeting's binding say on pay differs from the period reported in the tables of this Remuneration Report.

In this context, Section 6 of this Remuneration Report in particular aims at reconciling the maximum aggregate remuneration for the Board and the Executive Management with the remuneration actually paid. The proposal of the Board on the maximum aggregate remuneration for the Board and the Executive Management is included in the invitation to the Ordinary General Meeting.

For further information on remuneration matters, reference is made to the Articles of Incorporation of the Company last amended on 4 May 2018 and applicable as at 31 December 2019, which are available at https://en.swissquote.com/company/investors in the French original version together with an English free translation (the "AoI").

2 Remuneration policy

The Group's remuneration policy is an important component of its corporate framework and has the ultimate purpose to deliver sustainable growth and performance to shareholders, provide a favourable development ground for the Group's employees and induce a responsible and ethical behaviour vis-à-vis the Group and the community. The remuneration policy is designed to attract, motivate and retain the best qualified employees, and to reward merit as well as medium and long-term performance, with due care to the Group's success and stage of development and in alignment with the interest of shareholders. Wage fairness and sustainability are also important components of the Group’s remuneration policy. With due care to labour market constraints, the Group seeks to keep multiples between lowest and highest paid employees within sensible ranges.

3 Organisation and competencies

3.1 Nomination & Remuneration Committee

In line with Art. 20^{bis} Para. 3 of the AoI, the Board has entrusted the remuneration committee with further tasks in the field of succession planning and nominations, and therefore named the committee "Nomination & Remuneration Committee" (the "NRC"). The NRC is governed by Art. 20^{bis} of the AoI, the Organisation Regulations and the Charter of the NRC. Pursuant to Art. 20^{bis} Para. 1 of the AoI and the Charter of the NRC, the NRC is composed of at least two independent members of the Board. The General Meeting elects the members of the NRC individually. The term of office ends at the close of the next Ordinary General Meeting. Members may be re-elected.

At the Ordinary General Meeting of 10 May 2019, Markus Dennler was appointed as Chairman of the Board and therefore did not seek re-election as member of the NRC. Beat Oberlin was elected and Monica Dell'Anna was re-elected as members of the NRC. Beat Oberlin was subsequently appointed by the Board as Chairman of the NRC.

As per the Charter of the NRC, there shall be at least two meetings of the NRC per financial year. In 2019, the NRC met six times (four physical meetings and two conference calls). In average, a physical meeting lasted for one hour and a conference call lasted for 30 minutes. At each meeting held in 2019, the Chairman Beat Oberlin, Monica Dell'Anna and the other Board members were present. Members of the Executive Management were invited to all the meetings, except where there was a review of their personal situation. No external advisors attended the meetings.

The Chair of the NRC reports on the activities of the Committee at the following Board meeting or more often when required by the circumstances. In addition, the minutes of the meeting of the NRC are provided to all Board members.

In 2019, the Company did not consult with external advisors with respect to the structuring of remuneration, share ownership or any related matters.

In accordance with the Organisation Regulations and the Charter of the NRC, the NRC has no decision-making powers. It only acts in an advisory or preparatory capacity to support the Board and reports to the latter on the outcome of its reviews together with its recommendations, including in terms of succession planning, training and need for external support. In particular, it has the following duties:

Generally:

- Review the remuneration policy and system inter alia with due care to the stage of development of the Group and the industry practice, and make sure they are always compliant with applicable legal and regulatory requirements.

With respect to the Board:

- Regularly review inter alia the size and composition of the Board as well as the independence of its members, in order to ensure compliance with the legal and regulatory requirements, in particular with FINMA Circular 2017/1 "Corporate Governance – banks", and consistency with the Group's corporate governance framework;
- Conduct an annual review of the remuneration of the Board members;
- Recommend to the Board for approval and, as the case may be, for proposal to the General Meeting, the form and amount of remuneration to be paid to the Chair of the Board, to the other Board members as well as to the Chair and members of each Board Committee, in line with the AoI and the resolutions of the General Meeting.

3.1 Nomination & Remuneration Committee (continued)

With respect to the Management:

- Make recommendations to the Board regarding the general remuneration policy of the Executive Management and other members of the Management (together, the "Management");
- Regularly review the employment contracts of the Management and make recommendations to the Board on the remuneration of the Management;
- Make recommendations to the Board and assist the Board regarding the determination and evaluation of the remuneration system and the principles of remuneration, always in line with the AoI, including proposal to the Board of short- or long-term incentive plans and equity-based plans (including but not limited to stock options, restricted shares and similar instruments), regular review of the plans and proposal of modifications, suspensions or discontinuation of such plans;
- Review the organisation of the Group from a human resources perspective and make recommendations for nomination and dismissal of the Management;
- Review the succession plan for the Management, both for emergencies as well as long-term planning;
- Prepare the proposals to be submitted to the General Meeting pursuant to Art. 14bis of the AoI (approval of remuneration) or in relation to the amendments to the provisions of the AoI that address remuneration matters.

For further information on the NRC, reference is made to the AoI (in particular Art. 14bis and 20bis).

3.2 Board of Directors

Subject to the prerogatives of the General Meeting and in line with the applicable laws and Art. 14bis of the AoI, the Board is competent to decide on all relevant issues related to remuneration.

The Board, which is composed of non-executive members only, makes its decisions based on the proposals of the NRC. Board members attend the part of the Board meeting where their remuneration is decided on, and, except if otherwise requested by a Board member, resolve on all recommendations of the NRC regarding Board remuneration in one vote. Members of the Executive Management do not attend the part of the Board meeting where their remuneration is decided on.

3.3 General Meeting

Binding vote on pay

Pursuant to Art. 9 Para. 2 and 14bis Para. 1 of the AoI, the General Meeting shall approve annually the proposals of the Board with regard to the maximum aggregate amount of:

- The remuneration payable to the Board for the period until the next Ordinary General Meeting pursuant to Art. 21bis of the AoI; and
- The remuneration payable to the Executive Management for the following financial year pursuant to Art. 21ter of the AoI.

This prospective vote allows the Company to avoid the legal uncertainties that could arise from post hoc votes. At the Ordinary General Meeting of 10 May 2019, the following maximum aggregate amounts were approved:

- CHF 870,000 for the Board; and
- CHF 6,350,000 for the Executive Management.

For further information on the binding vote on pay, reference is made to the AoI, in particular Art. 14bis.

Consultative vote on Remuneration Report

Since 2011, it has been the Company's policy to submit the Remuneration Report to a consultative vote by the shareholders and the Board intends to sustain this practice.

4 Remuneration components

4.1 Generalities

As at 31 December 2019, the following remuneration components were available for the level of responsibilities listed below:

	Base remuneration		Variable remuneration				
	Cash	Shares	Cash bonus (short-term)	Shares (long-term)	Stock options (long-term)	Pension fund contributions and benefits	Other remuneration
Board members	Yes	Yes	Not eligible	Not eligible	Not eligible	Not eligible	Eligible
Members of the Executive Management	Yes	Not eligible	Eligible	Not eligible	Eligible	Eligible	Eligible
Other employees	Yes	Not eligible	Eligible	Eligible subject to conditions	Eligible subject to conditions	Eligible	Eligible

Base remuneration

Cash component

The base remuneration depends on the level of seniority and the area in which an employee exercises his/her function. It is paid out in cash in monthly instalments, after deduction of any social insurance, pension fund and other contributions.

Board share plan

The Board share plan is distinct from the employee share plan and does not relate to variable remuneration.

Variable remuneration

The current remuneration framework does not allow for any variable remuneration for the Board. Art. 21ter Para. 2 of the AoI sets forth the principles applicable to the variable remuneration of the members of the Executive Management, which are as follows:

- The short-term remuneration elements depend in particular on quantitative and qualitative objectives that can take into account results of the Company or parts of the Company, on objectives in relation to the market or other companies and/or on specific objectives. The extent to which the objectives are met is generally assessed over a period of one year and can give rise to a short-term remuneration. Cash bonus is considered short-term remuneration.
- The long-term remuneration elements depend in particular on the quantitative strategic objectives of the Company and/or on specific objectives. The extent to which the objectives are achieved is generally assessed over a period of several years. Grants of shares and stock options are considered long-term remuneration.

Further, pursuant to Art. 21ter Para. 3 of the AoI, the Board sets the objectives and subsequently carries out an evaluation of the extent to which these are achieved. The remuneration can be paid or guaranteed in cash, in shares, in options, in similar financial instruments, in kind, or in another form of earnings. The Board decides on the conditions of granting, entitlement, exercising and due date, as well as the timing of the allocation and valuation of shares, options and similar financial instruments, and also stipulates a blocking period if necessary. It may issue rules in respect of the early implementation or expiry of conditions of entitlement and exercise, in respect of the payment or assurance of performance-based remuneration, or in respect of the due date upon the occurrence of predetermined events such as a change of control or the termination of an employment relationship or mandate.

4.1 Generalities (continued)

Employee share plan

The Group offers its eligible employees the opportunity to directly participate in the long-term success of the Group by purchasing Swissquote shares at a discounted price. The employee share plan aims to reward sustained, long-term performance and align shareholder and employee interests more closely.

The employee share plan can be made available to all eligible employees. Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the Board will at its entire discretion decide every year whether and how many shares will be offered and to whom; no eligible employee has an enforceable right to be granted shares at a discounted price. The Board seeks to keep a sensible relation between the number of shares offered to members of the respective levels of the organisation.

Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the Board decides, at its discretion, the terms of the employee share plan, including the proceedings and the date of grant of the shares, the price to acquire the shares and the blocking period of the shares and its terms. During the blocking period, the employee is not entitled to sell, donate, pledge or otherwise transfer the shares. In case of change of control, the Board may decide to put an end to any ongoing blocking period.

In 2019, shares were offered for free (no price paid for the acquisition) to all eligible employees. They are blocked for a period of five years as from their attribution.

Employee option plan

The Group operates a stock option plan in order to allow for a long-term participation of eligible employees in the growth of the stock price of the Company.

Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the Board is responsible for deciding at its own discretion on the terms of the options and the number of options offered. The terms of the options provide that options offered are divided in three equal tranches, each tranche becoming exercisable respectively one, two and three years after the date of grant. The exercise period is two years. The exercise of one option allows acquiring one Swissquote share (ratio 1:1). Options granted are vested on the date of exercise.

As a result, employees holding options who leave the Group before their options become exercisable lose their right to exercise their options, unless the Board (or the body to which it delegated this task) decides otherwise.

Since 2007 and in ordinary business circumstances, the maximum number of options that can be offered in a single financial year is determined based on a set ratio expressing the percentage of the fair value of the options offered compared to the base remuneration payroll costs. The ratio was 2.5% in 2019 (3.0% in 2018). In ordinary business circumstances, the grant of options to individual employees is made based on the level of an employee in the organisation. In 2019, options were offered to all eligible employees from the middle management to the Executive Management. All employees belonging to the same level of the organisation are offered the same number of options. The Board seeks to keep a sensible relation between the number of options offered to members of the respective levels of the organisation.

In case of change of control, the Board may decide that any non-exercisable option becomes exercisable as of the date and within the period determined by the Board. The Board may also decide that outstanding options shall be replaced by new options having the equity securities of the acquiring Company or another related company as underlying asset, provided that the value of the options received as a replacement for the options is at least equal to the value of the options that they replace on the date the decision is made.

Further details on options valuation are provided in Note 15.2 to the consolidated financial statements (Section VII).

Pension fund contributions and benefits

Pension fund contributions and benefits depend on the level of management, age, and remuneration.

Loans

Pursuant to Art. 21 Para. 2 of the AoI, the Company may grant loans and credits to the members of the Board and of the Executive Management at market terms or at terms which apply to all employees. Loans and credits which do not satisfy such conditions are authorised provided that, in each single case, they do not exceed the amount of CHF 100,000 and to the extent that they have been approved by the General Meeting, either individually or as part of an aggregate amount.

4.1 Generalities (continued)

Indemnification

Pursuant to Art. 21 Para. 3 of the AoI, the Company may indemnify members of the Board and of the Executive Management for any loss suffered in connection with lawsuits, trials or settlements relating to their work for the Company and its subsidiaries, or advance appropriate amounts and take out insurance.

Other remuneration

The cash component of the base remuneration may be supplemented by a fixed indemnity covering estimated out-of-pocket expenses. Out-of-pocket expenses are determined in accordance with applicable local tax principles.

The Group employees enjoy benefits on the consumption of services provided by the Group (such as favourable conditions on their Swissquote trading account) and other benefits of minor importance.

4.2 Elements of the remuneration of the members of the Board of Directors

As reflected in the table introducing Section 4.1 and in accordance with Art. 21bis Para. 1 of the AoI, the remuneration of the Chair of the Board and other Board members comprises the annual base remuneration applicable up until the following Ordinary General Meeting, as well as social insurance contributions, insurance premiums and other benefits, which must be regarded as remuneration.

Base remuneration

Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the base remuneration, which is reviewed annually, is set at the discretion of the Board in response to a proposal by the NRC. The review of the remuneration of the Board takes several factors into consideration, such as the trends in remuneration of Board members in Switzerland and/or in companies that are comparable (in terms of industry and size) according to publicly available information, although no defined benchmark is used. Further, the Board seeks to keep a sensible relation between the base remuneration of the Board members and that of the Executive Management.

In accordance with Art. 21bis Para. 2 of the AoI, the Board can decide to have part of the annual base remuneration paid in the form of shares. In this case, it decides on the conditions, including the conditions of grant and the valuation of shares, and stipulates a possible blocking period. The Board share plan is distinct from the employee share plan and does not relate to variable remuneration.

No variable remuneration

Members of the Board are not eligible for any variable remuneration.

Other remuneration

The Board members receive a fixed indemnity covering their estimated out-of-pocket expenses. Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, it is set annually at the discretion of the Board in response to a proposal by the NRC.

The Board members enjoy the same benefits on the consumption of services provided by the Group as the Group employees (such as favourable conditions on their Swissquote trading account). The aggregate amount of such benefits is not considered material and is therefore not reported in this Remuneration Report.

Loans

Pursuant to Art. 21 Para. 2 of the AoI, the Company may grant loans and credits to the members of the Board at market terms or at terms which apply to employees. Loans and credits which do not satisfy such conditions are authorised provided that, in each single case, they do not exceed the amount of CHF 100,000 and to the extent that they have been approved by the General Meeting, either individually or as part of an aggregate amount.

4.3 Elements of the remuneration of the members of the Executive Management

As reflected in the table introducing Section 4.1 and in accordance with Art. 21ter Para. 1 of the AoI, the remuneration of the members of the Executive Management comprises:

- A base remuneration, which is cash-based;
- A variable remuneration in the form of:
  - A cash component (bonus) capped at 150% of the base remuneration;
  - A share plan;
  - An option plan;
- Social insurance contributions made by the Company;
- Pension fund contributions and benefits;
- A fixed indemnity covering their estimated out-of-pocket expenses (other remuneration).

Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, all of these items are set at the discretion of the Board and reviewed annually. Members of the Executive Management do not attend the part of the Board meeting where their remuneration is decided on.

Base remuneration

The base remuneration of the members of Executive Management is cash-based. It is reviewed annually by the Board and, when necessary, adjusted by the Board at its discretion – within the framework of the applicable laws, the AoI and the decisions of the General Meeting – in response to a proposal by the NRC. The base remuneration of the members of the Executive Management was last increased in March 2018.

Variable remuneration

<u>Annual cash bonus</u>

Art. 21ter Para. 2 of the AoI allows for a cash bonus up to 150% of the base remuneration.

Each year, the Board sets a list of quantitative and qualitative objectives to the Executive Management as a whole. Members of the Executive Management are not set individual objectives. The objectives set to the Executive Management are classified in four typologies:

- Financial objectives;
- Growth objectives;
- Defensive/conservation objectives;
- Other objectives.

For each typology, there may be one or more objectives associated with a weighted target. The number and the nature of objectives may vary from one year to the other at the discretion of the Board. For confidentiality reasons, the detail of such objectives is not disclosed in this Remuneration Report.

For the financial year under review, the objectives that were merely quantitative and the objectives that were largely quantitative (involving judgement to a small extent) represent approximately 70% of the total weight. The remaining objectives representing approximately 30% of the total weight involve an evaluation using a more judgemental approach in order to determine their level of achievement.

The performance review is carried out by the NRC, shortly before the auditors deliver their Audit Report on the consolidated financial statements of the year under review.

The cash bonus payable to the Executive Management is determined by the Board at its entire discretion, using the following two-step process:

- Step 1: The NRC collects the data that are required in order to measure the degree of achievement of the respective objectives set and determines a total score. For determining the final score, the NRC also considers the possible impact on the total score resulting from developments or event that occurred in the year under review and that could not be considered at the time the objectives were set. The final score is converted into a percentage of the annual base remuneration of the Executive Management using predefined scales, which are reviewed periodically. The application of the percentage represents the maximum cash bonus that members of the Executive Management may receive.
- Step 2: In response to a proposal by the NRC, the Board determines the maximum aggregate variable remuneration to be allocated in cash, shares and stock options to all Group employees and the respective portion for the cash bonus and non-cash elements of the variable remuneration. The maximum aggregate variable remuneration is based on several factors, among which (1) the return on the base profit that is defined as the ratio of the reference pre-tax profit (i.e. the pre-tax profit adjusted by material one-offs, if any, plus the amount of the accrued variable remuneration in said financial year) to the reference capital (i.e. the regulatory capital required for the operations plus the internal capital buffers in said year, the amount of which is determined by the Board as part of its regulatory obligations in terms of capital planning) and (2) the structure of the distribution of the reference pre-tax profit between (a) the shareholders (dividend and other pay-outs), (b) the Group employees (aggregate variable remuneration) and (c) the amount to be retained by the Group itself for the purpose of supporting its future activities.

4.3 Elements of the remuneration of the members of the Executive Management (continued)

With due care to (1) the amount of variable remuneration paid in cash, shares and options to Group employees other than the Executive Management and (2) the fair value of the components of the long-term variable remuneration granted to the members of the Executive Management, the maximum cash bonus that members of the Executive Management would receive in accordance in Step 1 is reduced to the amount available as determined in Step 2.

Employee share and stock option plan

Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, the Board is responsible for making discretionary decisions – in response to a proposal by the NRC – with respect to (1) the terms of the share attributions and the number of shares offered and (2) the terms of the options and the number of options offered.

The combination of shares and stock options may vary from one year to the other, but the aggregate fair value shall be consistent with the growth profile of the Group. The fair value of the variable remuneration allocated to each member of the Executive Management is the same in a given calendar year and the maximum aggregate fair value is determined with due care to the maximum aggregate variable remuneration to be allocated in cash, shares and stock options to all Group employees and the respective share for the cash bonus and non-cash elements of the variable remuneration.

Pension fund contributions and benefits

Pursuant to Art. 21ter Para. 1 of the AoI, social insurance contributions and pension fund contributions are made to members of the Executive Management.

Other remuneration

The members of the Executive Management receive a fixed indemnity covering their estimated out-of-pocket expenses. Within the framework of the applicable laws, the AoI and the decisions of the General Meeting, it is set annually at the discretion of the Board in response to a proposal by the NRC. The members of the Executive Management enjoy the same benefits as all the other employees (such as favourable conditions on their Swissquote trading account). The aggregate amount of such benefits is not considered material and is therefore not reported in this Remuneration Report.

Loans

Pursuant to Art. 21 Para. 2 of the AoI, the Company may grant loans and credits to the members of the Executive Management at market terms or at terms which apply to all employees. Loans and credits which do not satisfy such conditions are authorised provided that, in each single case, they do not exceed the amount of CHF 100,000 and to the extent that they have been approved by the General Meeting, either individually or as part of an aggregate amount.

Duration of contracts

The termination period of the employment contracts of the members of the Executive Management is six months.

5 Remuneration for the financial year under review

The remuneration reported in this section is applicable to all activities of the concerned persons in the Group, including, for the Board members, their board activities for the Company and Swissquote Bank Ltd, and, for the members of the Executive Management, their activities in the Board of Directors of the foreign subsidiaries of the Group.

This section of this Remuneration Report was audited by the Company's auditors.

5.1 Remuneration of the members of the Board of Directors

The tables in this section state the total remuneration for the members of the Board for the financial years 2019 and 2018. The cash components correspond to gross figures and include social insurance contributions paid by the Board members. Therefore, the figures relating to social insurance contributions only cover the amount paid by the Company. Other remuneration consists of an indemnity covering estimated out-of-pocket expenses.

	Base remuneration				
in CHF	Cash	Shares (tax value)	Social insurance contributions	Other remuneration	Total
Board remuneration 2019					
Markus Dennler, Chairman	131,944	30,024	13,700	2,000	177,668
Monica Dell'Anna, member	100,000	20,003	10,838	2,000	132,841
Martin Naville, member	100,000	20,003	10,838	2,000	132,841
Beat Oberlin, member	100,000	20,003	10,838	2,000	132,841
Jean-Christophe Pernollet, member	100,000	20,003	10,838	2,000	132,841
Mario Fontana, former Chairman	62,486	–	6,669	722	69,877
Subtotal	**594,430**	**110,036**	**63,721**	**10,722**	**778,909**
Difference between tax value and IFRS fair value of shares granted to the Board					21,017
Total remuneration 2019					**799,926**

As reflected in the above table, the total remuneration is calculated by taking into consideration the fair value of the shares granted to the Board. For information on the tax value and on the fair value, reference is made to Section 5.3.

At the Ordinary General Meeting of 10 May 2019, Markus Dennler was appointed as Chairman of the Board. The former Chairman Mario Fontana did not seek re-election. The latter's remuneration covers his period of office from 1 January 2019 to 10 May 2019.

Apart from the amount paid to Mario Fontana for his office time in 2019, no remuneration was paid, and no credit or loan was granted, to former Board members. In 2019, no remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

5.1 Remuneration of the members of the Board of Directors (continued)

in CHF	Base remuneration: Cash	Base remuneration: Shares (tax value)	Social insurance contributions	Other remuneration	Total
Board remuneration 2018					
Mario Fontana, Chairman	140,000	30,015	11,445	2,000	183,460
Monica Dell'Anna, member	66,667	20,022	7,649	1,333	95,671
Markus Dennler, member	93,333	20,022	9,715	2,000	125,070
Martin Naville, member	93,333	20,022	9,715	2,000	125,070
Beat Oberlin, member	93,333	20,022	9,715	2,000	125,070
Jean-Christophe Pernollet, member	93,333	20,022	9,715	2,000	125,070
Subtotal	**579,999**	**130,125**	**57,954**	**11,333**	**779,411**
Difference between tax value and IFRS fair value of shares granted to the Board					24,856
Total remuneration 2018					**804,267**

As reflected in the above table, the total remuneration is calculated by taking into consideration the fair value of the shares granted to the Board. For information on the tax value and on the fair value, reference is made to Section 5.3.

At the Ordinary General Meeting of 4 May 2018, Monica Dell'Anna was newly elected to the Board. The latter's remuneration covers her period of office from 4 May 2018 to 31 December 2018.

In 2018, no remuneration was paid, and no credit or loan was granted, to former Board members. Furthermore, no remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

Board remuneration changes from 2018 to 2019

The total remuneration slightly decreased from CHF 804,267 to CHF 799,926. This marginal decrease of 0.5% results from the decrease in the number of Board members combined with the increase of their respective remuneration, as decided in 2018.

More specifically, the total base remuneration in cash increased from CHF 579,999 to CHF 594,430, representing an increase of 2.5% and the shares' total tax value decreased from CHF 130,125 to CHF 110,036, representing a decrease of 15.4%. Further, the total social insurance contributions and pension fund contributions and benefits increased from CHF 57,954 to CHF 65,082, representing an increase of 12.3% and the other remuneration decreased from CHF 11,333 to CHF 9,361, representing a decrease of 17.4%.

Remuneration Report

5.2 Remuneration of the members of the Executive Management

This Remuneration Report informs on the remuneration of the highest paid member of the Executive Management as well as the aggregate remuneration of all members of the Executive Management. This is in line with market practice and results from the application of the Ordinance.

The cash components correspond to gross figures and include social insurance contributions and pension fund contributions paid by the members of the Executive Management. Therefore, the figures relating to social insurance contributions and pension fund contributions and benefits only cover the amount paid by the Company. Other remuneration consists of an indemnity covering estimated out-of-pocket expenses.

	Base remuneration	Variable remuneration				
in CHF	Cash	Cash bonus	Stock options (fair value at grant)	Social insurance contributions	Other remuneration	Total
Executive Management remuneration 2019						
Marc Bürki, CEO (highest paid)	520,000	225,437	28,896	122,840	21,600	918,773
Aggregate of all members of the Executive Management	**3,015,000**	**1,307,103**	**231,170**	**712,388**	**138,600**	**5,404,261**

In 2019, the aggregate short-term performance-related remuneration of the Executive Management (cash bonus) represents 43.4% of their aggregate base remuneration. Further, reference is made to Section 7.

No remuneration was paid, and no credit or loan was granted, to former members of the Executive Management. No remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

5.2 Remuneration of the members of the Executive Management (continued)

	Base remuneration	Variable remuneration				
in CHF	Cash	Cash bonus	Stock options (fair value at grant)	Social insurance contributions	Other remuneration	Total
Executive Management remuneration 2018						
Marc Bürki, CEO (highest paid)	513,134	213,000	36,131	91,698	21,600	875,563
Aggregate of all members of the Executive Management	**2,139,035**	**927,000**	**180,655**	**391,761**	**90,600**	**3,729,051**

In 2018, the aggregate short-term performance-related remuneration of the Executive Management (cash bonus) represents 43.3% of their aggregate base remuneration.

No remuneration was paid, and no credit or loan was granted, to former members of the Executive Management. No remuneration was paid to related parties and no credit or loan was granted to related parties, except Lombard loans, which were granted at market conditions.

Executive Management remuneration changes from 2018 to 2019

The total base remuneration increased from CHF 2,139,035 to CHF 3,015,000, representing an increase of 41.0%, which is almost exclusively related to the appointment of three new Executive Management members.

The total cash bonus increased from CHF 927,000 to CHF 1,307,103, representing an increase of 41.0%, which reflects the level of achievement of the objectives set to the Executive Management for 2019 and the appointment of three new Executive Management members.

Neither in 2018 nor in 2019 were shares granted to the Executive Management. Compared to 2018, the fair value of the stock options granted increased from CHF 180,665 to CHF 231,170, representing an increase of 28.0%, which is mainly related to the appointment of three new Executive Management members.

The total social insurance contributions and pension fund contributions and benefits increased from CHF 391,761 to CHF 712,388, representing a total increase of 81.8%, which is mainly related to the appointment of three new Executive Management members.

The other remuneration increased from CHF 90,600 to CHF 138,600, representing an increase of 53.0%, which is exclusively related to the appointment of three new Executive Management members.

Overall total remuneration increased from CHF 3,729,051 to CHF 5,404,261, representing a total increase of 44.9% which is mainly related to the appointment of three new Executive Management members.

5.3 Valuation principles

The cash bonus is determined based on the accrual (cash bonus) in the financial year under review of the bonus payable in the following financial year. It is based on the results of the financial year under review.

The fair value of the shares is determined in accordance with the International Financial Reporting Standards (IFRS). It represents the market price, i.e. the price that would be received for a share in an orderly transaction between market participants on the grant date.

The market price of the shares granted to the Board in 2019 was CHF 48.5. The market price of the shares granted to the Board in 2018 was CHF 45.3. Since 2018, no shares have been granted to the Executive Management.

The tax value of the shares is determined based on the Swiss Federal Tax Administration Circular Letter No. 37 on Taxation of Employee Participations and Circular Letter No. 37A on Tax Treatment of Employee Participations with the Employer. It represents the market price of the share on grant date discounted by a fixed percentage for a certain period of blocking.

Shares granted to the Board in 2019 are blocked for three years from their grant date and their tax value amounts to CHF 40.7 per share. This tax value represents the market price of the share on grant date (i.e. CHF 48.5) discounted by 16.0%.

Shares granted to the Board in 2018 are blocked for three years from their grant date and their tax value amounts to CHF 38.0 per share. This tax value represents the market price of the share on grant date (i.e. CHF 45.3) discounted by 16.0%.

The fair value of the options is determined based on the Black-Scholes valuation model. The most significant inputs into the model are the market value at grant, the strike price, the expected life of the options and the volatility. The volatility is measured over a period of ten years. Other inputs into the model are the risk-free interest rate and the dividend yield. One option grants the right to acquire one Swissquote share (ratio 1:1). For the financial year 2019, the fair value amounts to CHF 5.8 on average per option on grant date. For the financial year 2018, the fair value amounts to CHF 10.0 on average per option on grant date.

5.4 Loans and credits to the Board and the Executive Management

The following loans and credits were granted to and were still outstanding as at 31 December 2019 with current and former members of the Board and of the Executive Management. All loans were granted at market conditions.

in CHF	2019	2018
Members of the Board		
Markus Dennler, Chairman	–	–
Monica Dell'Anna, member	–	–
Martin Naville, member	–	–
Beat Oberlin, member	–	–
Jean-Christophe Pernollet, member	–	–
Mario Fontana, former Chairman [1]	–	–
Closely related persons	–	–
Other former members	–	–
Total as at 31 December	**–**	**–**

in CHF	2019	2018
Members of the Executive Management		
Marc Bürki, CEO	5,025,420	5,046,495
Paolo Buzzi, CTO	1,977,789	2,998,643
Yvan Cardenas, CFO [2]	–	–
Gilles Chantrier, CRO	–	–
Jan De Schepper, CSO [2]	–	–
Lino Finini, COO [2]	–	–
Morgan Lavanchy, CLO	–	–
Michael Ploog, CIO	–	–
Closely related persons	617,557	614,443
Former members	–	–
Total as at 31 December	**7,620,766**	**8,659,581**

[1] Mario Fontana did not seek re-election at the Ordinary General Meeting of 10 May 2019.

[2] Yvan Cardenas, Jan De Schepper and Lino Finini joined the Executive Management on 1 March 2019.

6 Reconciliation of remuneration with the approval of the General Meeting

At the Ordinary General Meeting of 4 May 2018, the shareholders approved a maximum aggregate remuneration of the Board amounting to CHF 1,000,000 for the period of office from the Ordinary General Meeting of 4 May 2018 until the completion of the Ordinary General Meeting of 10 May 2019. The total amount of remuneration paid out for this period was CHF 804,267, which is in line with what was approved at the Ordinary General Meeting of 4 May 2018. The above-mentioned maximum aggregate remuneration included a reserve of CHF 100,000 in order to cover potential exceptional tasks requiring an additional remuneration. No such additional remuneration was paid, i.e. the reserve was not used.

At the Ordinary General Meeting of 10 May 2019, the shareholders approved a maximum aggregate remuneration of the Board amounting to CHF 870,000 for the period of office from the Ordinary General Meeting of 10 May 2019 until the completion of the Ordinary General Meeting of 5 May 2020. The total amount of remuneration that will be paid out for this period is anticipated to be in line with the maximum aggregate remuneration approved at the Ordinary General Meeting of 10 May 2019. The final amount that will be paid will be disclosed in the 2020 Remuneration Report.

With respect to the remuneration of the Executive Management, the shareholders approved at the Ordinary General Meeting of 4 May 2018 a maximum aggregate remuneration of CHF 5,000,000 for the financial year 2019, taking into consideration an Executive Management comprising five members. The enlargement of the Executive Management by three additional members as from 1 March 2019 resulted in a total remuneration of CHF 5,404,261 for the entire Executive Management in 2019, which is higher than the maximum aggregate remuneration approved at the Ordinary General Meeting in May 2018. As already mentioned in the invitation to the Ordinary General Meeting of 10 May 2019, such situation is considered in the Art. 14^{bis} Par. 6 of the AoI, which provides that when additional Executive Management members are appointed after the date of approval by the Ordinary General Meeting of the maximum aggregate remuneration of the Executive Management, the Company is authorised to pay such additional members of the Executive Management a supplementary amount of up to 40.0% of the approved maximum aggregate remuneration.

At the Ordinary General Meeting of 10 May 2019, the shareholders approved a maximum aggregate remuneration for the Executive Management amounting to CHF 6,350,000 for the financial year 2020. The total amount of remuneration that will be paid out and accrued for this period is anticipated to be in line with the maximum aggregate remuneration approved at the Ordinary General Meeting of 10 May 2019. The final amount that will be paid will be disclosed in the 2020 Remuneration Report.

7 "Pay for Performance" appraisal for the financial year under review

As stated in Section 4.3, the Board sets each year a list of objectives to the Executive Management as a whole (i.e. no individual objectives).

Based on a proposal of the NRC, the Board assessed that the objectives set to the Executive Management for 2019 were over-achieved and set the aggregate cash bonus for the members of the Executive Management to CHF 1,307,103.

As a result, for the financial year 2019, the short-term performance-related remuneration of the Executive Management (cash bonus) represents 43.4% of their total base remuneration.

8 Share ownership information

As at 31 December 2019, the number of shares and options held by current Board members, members of the Executive Management and closely related persons, was 4,068,863 or 26.5% of the share capital.

The following tables were produced in accordance with Art. 663c CO and are also available in Note 25 to the consolidated financial statements (Section VII).

8.1 Shareholdings

For the sake of clarity, except for the shares granted as part of the Company's share plan, the shares enumerated in the following tables were not granted by the Group, but were acquired by the concerned shareholders, for instance as part of their investment in the initial capital of the Company or via ordinary purchases on the market.

	Number of shares as at 31 December 2019	Number of shares as at 31 December 2018
Members of the Board		
Markus Dennler, Chairman	31,465	30,728
Monica Dell'Anna, member	1,568	1,077
Martin Naville, member	11,275	10,784
Beat Oberlin, member	3,342	2,851
Jean-Christophe Pernollet, member	3,886	3,395
Mario Fontana, former Chairman [1]	492,219	492,219
Mario Fontana, closely related persons [1]	184,011	184,011
Other former members	–	–
Other closely related persons	–	–
Total as at 31 December	**727,766**	**725,065**

	Number of shares as at 31 December 2019	Number of shares as at 31 December 2018
Members of the Executive Management		
Marc Bürki, CEO	1,889,188	1,908,400
Paolo Buzzi, CTO	1,872,663	1,896,535
Yvan Cardenas, CFO [2]	320	–
Gilles Chantrier, CRO	340	340
Jan De Schepper, CSO [2]	220	–
Lino Finini, COO [2]	1,820	–
Morgan Lavanchy, CLO	340	340
Michael Ploog, CIO	58,605	63,605
Closely related persons	86,542	91,772
Total as at 31 December	**3,910,038**	**3,960,992**

[1] Mario Fontana did not seek re-election at the Ordinary General Meeting of 10 May 2019.

[2] Yvan Cardenas, Jan De Schepper and Lino Finini joined the Executive Management on 1 March 2019.

Remuneration Report

8.2 Options

The following tables provide information on unexpired options granted to members of the Executive Management. These options have the Swissquote share (SQN; ISIN CH0010675863) as underlying and the exercise of one option allows acquiring one Swissquote share (ratio 1:1). The lock-up period ends one day before the start of the exercise period as mentioned in the tables below. Duration and strike prices are also listed below. As at 31 December 2019, no Board member held any unexpired option.

Marc Bürki, CEO, 16,467 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
1,573	04.08.16	04.08.18	04.08.20	25.95
1,574	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Paolo Buzzi, CTO, 18,041 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
1,574	04.08.15	04.08.18	04.08.20	25.66
1,573	04.08.16	04.08.18	04.08.20	25.95
1,574	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Yvan Cardenas, CFO, 9,359 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
786	04.08.16	04.08.19	04.08.21	25.95
787	11.08.17	11.08.19	11.08.21	34.02
786	11.08.17	11.08.20	11.08.22	34.02
667	06.08.18	06.08.19	06.08.21	68.81
667	06.08.18	06.08.20	06.08.22	68.81
666	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

8.2 Options (continued)

Gilles Chantrier, CRO, 12,533 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
786	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Jan De Schepper, CSO, 10,933 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
787	04.08.16	04.08.18	04.08.20	25.95
786	04.08.16	04.08.19	04.08.21	25.95
787	11.08.17	11.08.18	11.08.20	34.02
787	11.08.17	11.08.19	11.08.21	34.02
786	11.08.17	11.08.20	11.08.22	34.02
667	06.08.18	06.08.19	06.08.21	68.81
667	06.08.18	06.08.20	06.08.22	68.81
666	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Lino Finini, COO, 9,359 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
786	04.08.16	04.08.19	04.08.21	25.95
787	11.08.17	11.08.19	11.08.21	34.02
786	11.08.17	11.08.20	11.08.22	34.02
667	06.08.18	06.08.19	06.08.21	68.81
667	06.08.18	06.08.20	06.08.22	68.81
666	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

8.2 Options (continued)

Morgan Lavanchy, CLO, 15,680 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
787	04.08.15	04.08.18	04.08.20	25.66
787	04.08.16	04.08.18	04.08.20	25.95
786	04.08.16	04.08.19	04.08.21	25.95
1,573	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

Michael Ploog, CIO, 14,917 options, divided as follows:

Number of options	Date of grant	Start of exercise period	Expiry date	Strike price
523	04.08.16	04.08.18	04.08.20	25.95
1,574	04.08.16	04.08.19	04.08.21	25.95
1,073	11.08.17	11.08.18	11.08.20	34.02
1,573	11.08.17	11.08.19	11.08.21	34.02
1,574	11.08.17	11.08.20	11.08.22	34.02
1,200	06.08.18	06.08.19	06.08.21	68.81
1,200	06.08.18	06.08.20	06.08.22	68.81
1,200	06.08.18	06.08.21	06.08.23	68.81
1,667	09.08.19	09.08.20	09.08.22	49.89
1,667	09.08.19	09.08.21	09.08.23	49.89
1,666	09.08.19	09.08.22	09.08.24	49.89

9 Approval of the Remuneration Report

This Remuneration Report provides full transparency for the financial year 2019 with regard to the Group's remuneration arrangements and remuneration paid to the Board and the Executive Management. The Board intends to recommend that the General Meeting approve this Remuneration Report at the Ordinary General Meeting of 5 May 2020 (consultative vote).

Report of the statutory auditor to the General Meeting of Swissquote Group Holding Ltd Gland on the Remuneration Report 2019

We have audited the remuneration report of Swissquote Group Holding Ltd for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in section 5 on pages 164 to 169 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report of Swissquote Group Holding Ltd for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Beresford Caloia	Nicolas Journot
Audit expert Auditor in charge	Audit expert

Lausanne, 16 March 2020

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Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

1 Introduction

FINMA circular 2016/1 "Disclosure – banks" requires to disclose qualitative and quantitative information about interest rate risk in the banking book (IRRBB disclosure). The Basel Committee on Banking Supervision (BCBS) defines the concept of banking book by opposition to the concept of trading book. The trading book comprises of any instrument that is available for sale and regularly traded for arbitrage profit and/or profiting from short term movements (e.g. Trading assets). Any instrument (on- and off- balance sheet position), which is not held for the purposes of the trading book, must be assigned to the banking book.

2 Frequency of the disclosure

The FINMA circular came into effect in January 2019. The first disclosure was provided for the period ended 30 june 2019 in our First Half Year 2019 Interim Financial Statements. The next publication will be done yearly with the Annual Report as of year-end.

3 Qualitative information

Definition of interest rate risk in the banking book

Interest rate risk in the banking book is defined as the potential loss in the net interest income (NII) or in the economic value of equity (EVE) arising from the effect of adverse interest rate changes.

Interest rate risk characteristics are inherent to the Group's business model and derive mainly from the balance sheet structure. On the liabilities side, the vast majority of the funding consists in at sight clients' deposits from whose interest rate conditions are revised regularly (when appropriate). Regarding the assets side, interest rate risk profile is more diverse with allocation including (among others) at sight deposits, treasury bills, interbank deposits, loans, derivatives financial instruments (FX swaps) and investment securities.

Strategy, processes and organisation

The Board of Directors defines the interest rate risk appetite of the Group. The principles for managing risk are approved by the Board of Directors and are incorporated in the Group risk management policies. The Group risk management policies define the organisational structure, responsibilities, limits and maximum acceptable risk with the objective to optimise the net interest income on a long term horizon. The Executive Management is responsible for supervising and implementing the risk profile and recommending risk limits to the Board of Directors.

The interest rate risk management is centralised within the ALM & Treasury Department, which reports directly to the Chief Investment Officer. The activities of the ALM & Treasury Department are monitored daily by the Controlling & Risk Department by using various types of risk metrics (e.g. stress tests). The Controlling & Risk Department reports to the Chief Risk Officer.

On a quarterly basis, the Executive Management issues a Risk Report to the Audit & Risk Committee and the Board of Directors that includes the interest rate risk situation. This Risk Report presents inter alia the results of the stress tests with significant shifts in interest rate curves, the level of use of the risk limits and the distribution of relevant positions per currency and per maturity.

As of 31 December 2019, interest rate risk relating to the activities of Internaxx Bank SA is managed independently by its Management under the supervision of the Group.

Risk measurement

Risk measurement mechanisms regarding the interest rate risk modelling are aligned with the business model of the Group and in particular its short term resettable financing structure. Therefore, the risk measurement is focused on stress testing the banking book to ensure its adequacy with the risk appetite of the Group. From an interest rate risk monitoring and liquidity perspective, sight deposits are considered as partially stable deposits (behavioural assumptions). Nevertheless, in the prevailing interest rate environment, the investment strategy of the Group remains short term oriented without the need to hedge the risk of interest rate risk.

In addition to the daily monitoring of the net interest income, the Controlling & Risk Department performs month-end and quarter-end stress tests to monitor the net interest income (NII) and the economic value of equity (EVE). These stress tests are measured for each currency using the own base scenario (100 basis point change in interests) and the six standardised interest rate shock scenarios prescribed by the FINMA (Circular 2019/2 "Interest rate risk – banks). For each standardised scenario, FINMA defines the amount in basis points of interest rate shock per currency (CHF, USD, EUR, etc) and per maturity bucket (from overnight up to more than 20 years).

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

4 FINMA prescribed scenarios

The six standard scenarios prescribed by FINMA can be summarised and illustrated as follows:

Standard scenario	Amount of interest rate shock for CHF currency (illustrative)
Parallel shift up	+150 basis points
Parallel shift down	- 150 basis points
Steepener shock (short term rates down and long term rates up)	From -97 basis point up to +90 basis points depending on maturity bucket
Flattener shock (short term rates up and long term rates down)	From +120 basis points down to -60 basis points depending on maturity bucket
Rise in short term interest rates	From +150 basis points down to 0 basis points depending on maturity bucket
Fall in short term interest rates	From -150 basis points down to 0 basis points depending on maturity bucket

To measure its ability to withstand extreme changes in interest rates, the Group also may conduct ad hoc stress tests response to market conditions.

The details of the various standardised scenarios are provided in the circular.

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

5 Quantitative information

Structure of positions and maturity repricing as of 31 December 2019 (IRRBBA1 table)

	Volume (in CHF million)			Average interest rate reset period (in years)	
	Total	of which CHF	of which other significant currencies[1]	Total	of which CHF
Positions with a defined interest rate reset date					
Due from banks	1,597.8	1,082.5	411.6	0.18	0.11
Due from customers	25.6	25.6	–	1.57	1.57
Financial investments	718.5	436.3	272.6	1.20	0.88
Receivables from interest-rate derivatives [2]	2,229.6	74.1	1,930.8	0.14	0.32
Amounts due in respect of client deposits	(16.7)	–	(15.0)	0.07	–
Payables to interest-rate derivatives [2]	(2,248.2)	(2,110.0)	(113.5)	0.14	0.13
Positions with an undefined interest rate reset date					
Due from banks	561.6	280.4	177.7	0.08	0.08
Due from customers	313.0	127.6	168.0	0.08	0.08
Payables on demand from personal accounts and current accounts	(5,523.8)	(2,466.4)	(2,661.0)	–	–
Other payables on demand	(122.4)	(31.6)	(76.2)	–	–
Payables arising from client deposits, terminable but not transferable (savings)	(264.5)	(160.5)	(98.2)	0.08	0.08
Total	**(2,729.4)**	**(2,742.0)**	**(3.1)**		

[1] Significant currencies are those that make up more than 10% of assets or liabilities of total assets (ie USD and EUR)

[2] FX swap positions having two legs, they are recorded both under receivables from interest-rate derivatives and payables to interest-rate derivatives (off-balance sheet items).

Regarding positions with no set repricing maturity, average repricing maturity have been calculated taken into account assumptions defined.

The IRRBBA1 Table follows FINMA prescriptions and therefore cannot always directly be linked to IFRS classification. Additional reconciliation information has been provided on a voluntary basis in order to assist in interpreting the mandatory disclosure numbers.

in CHF million	Assets	Liabilities	Total
Reconciliation with the consolidated balance sheet			
Positions included in Table IRRBBA1	5,446.1	(8,175.6)	(2,729.5)
Out of scope of IRRBB disclosure (e.g. Cash and balances with central bank)	3,158.4	(111.6)	3,046.8
Adjustments for derivative financial instruments (incl. notional amount)	(2,131.8)	2,189.3	57.5
Total assets and liabilities	**6,472.7**	**(6,097.9)**	

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

5 Quantitative information (continued)

Information on the economic value of equity and net interest income (IRRBB1 table)
The Group is required to disclose the measured change in economic value of equity (EVE) and changes in net interest income (NII) under the standard interest rate scenarios prescribed by FINMA. The change in net interest income (pre-tax) is disclosed as the difference in future interest income over a rolling 12-month period.

	ΔEVE (changes in the net present value)		ΔNII (changes in the discounted earnings value)	
	31 December 2019	30 June 2019 (first time disclosure)	31 December 2019	30 June 2019 (first time disclosure)
in CHF million				
Parallel shift up	(15.9)	(7.6)	50.3	18.4
Parallel shift down	17.1	7.7	(20.5)	(9.4)
Steepener shock	5.5	3.1		
Flattener shock	(8.6)	(4.5)		
Rise in short-term interest rates	(14.0)	(6.6)		
Fall in short-term interest rates	14.6	6.6		
Maximum	17.1	7.7	50.3	18.4
Tier 1 capital	**325.2**	**307.2**		

The most adverse scenario of the six FINMA scenarios was the "parallel shift down" resulting in a change of net present value (ΔEVE) of CHF 17.1 million, representing an effect of 5.3% of Tier 1 capital. This effect is below the regulatory threshold of 15.0%.

Supplementary comment: The information disclosed in Table IRRBB1 differs from the Note H3b provided on page 73, as not only the methodology to calculate exposure values (incl. scope of exposure values) is different, but also the amount in basis points of interest rate shock is different

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

5 Quantitative information (continued)

Information on the economic value of equity and net interest income (IRRBB1 table) (continued)

Change in economic value of equity (EVE)
Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and are not replaced by any new business. Floating rate instruments are only impacted for the period until the next interest rate reset date whereas for the fixed rate instruments the entire maturity is impacted. The impact on each position is calculated stressing the effective interest rate. In accordance with FINMA circular 2019/2, high quality liquid assets (HQLA) have not been taken into account (e.g. debt securities issued by sovereigns with a AAA credit rating).

The increase of the changes in the net present value (ΔEVE) between 30 June and 31 December 2019 is mainly due to longer maturities in the investment securities (debt securities) and derivative financial instruments (foreign exchange swaps) held in the banking book of the Group.

Change in net interest income (NII)
Change in net interest income is computed assuming a constant balance sheet, where maturing and repricing cash flows are replaced by new cash flows with identical features. The stress test is based on all cash flows from fixed and floating rate instruments as well as assets and liabilities at sight. The impact is measured for one-year period. Floating-rate instruments are impacted after interest rate reset date while fixed interest rate instruments are impacted for the remaining time after the expiration up to one year. At sight assets and liabilities are impacted for the duration of one year. The assumptions reflect the expected behaviour of counterparties to modify or to cap the interest rate conditions (asset side) as well as the Group's optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

The increase of changes in the discounted earnings value (ΔNII) between 30 June and 31 December 2019 is partially explained by the fact that the Group had entered into reverse repurchase transactions (overnight) with banks as at 31 December 2019 (contrary to Cash and balances with central banks that are specifically scoped out, reverse repurchase transactions are included). In the meantime, assumptions made with respect customers' conditions may change from one date to the other according to market conditions and competition.

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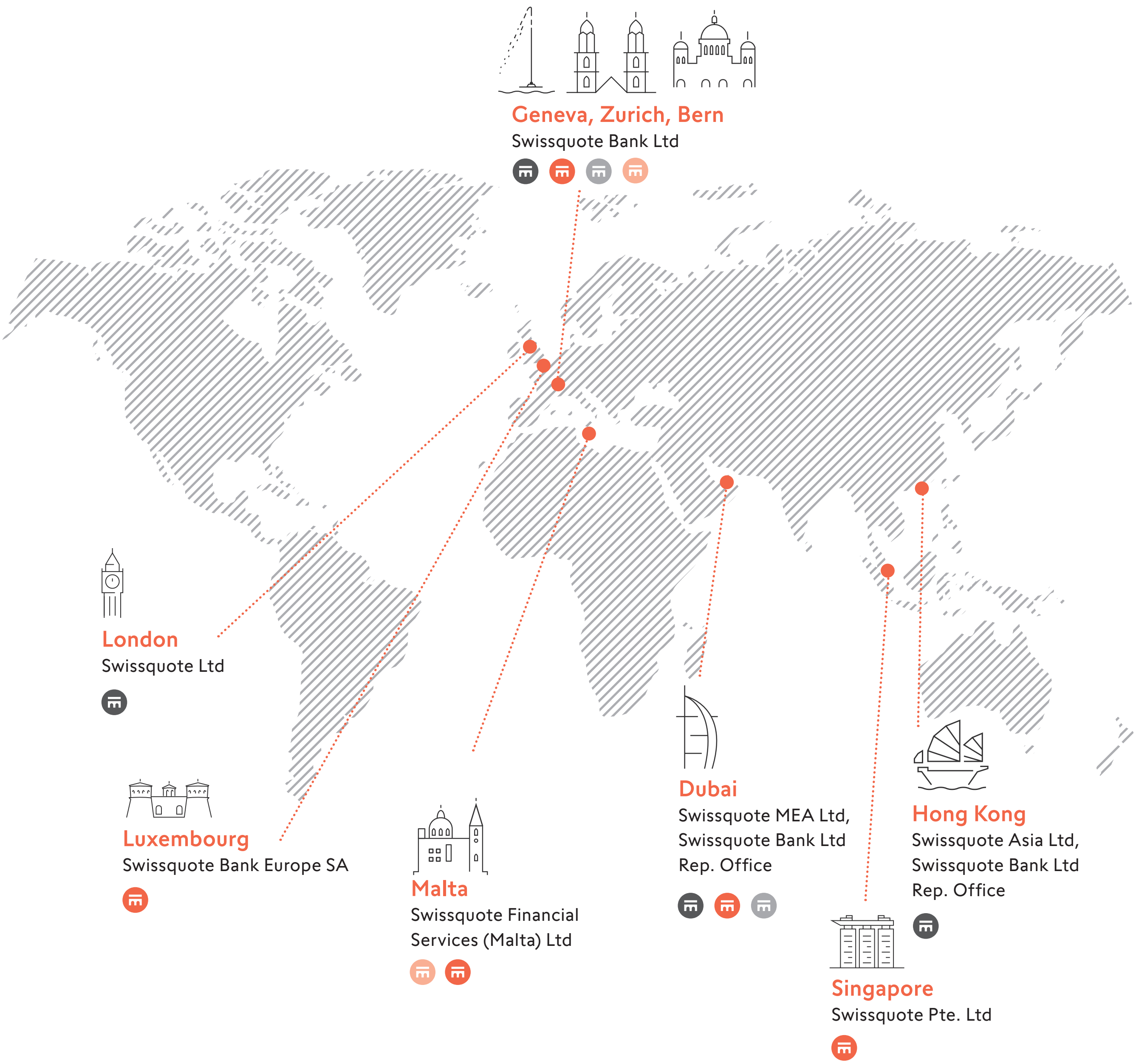

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