ANNUAL REPORT 2020

Financial Report
Corporate Governance Report
Remuneration Report
Sustainability Report

SWISSQUOTE IS NOT A TYPICAL SWISS BANK.

Our history, ambition and DNA comes from the world of creativity, software development and the empowerment of investors. These values still remain central to Swissquote.

Annual Report 2020

The Swiss leader in online banking
www.swissquote.com

Key figures

	2020	2019	2018	2017	2016
Number of accounts	410,248	359,612	329,100	309,286	302,775
% change	14.1%	9.3%	6.4%	2.2%	30.9%
Net new money in CHFbn	5.3	4.6	3.1	2.7	6.1
% change	16.3%	46.3%	14.8%	-55.3%	394.5%
Client assets in CHFm [1]	39,773	32,241	23,822	24,112	18,557
% change	23.4%	35.3%	-1.2%	29.9%	54.7%
Employees	805	722	662	593	550
% change	11.5%	9.1%	11.6%	7.8%	5.0%

[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	2020	2019	2018	2017	2016
Operating income [1]	317,309	230,641	214,524	187,756	150,245
% change	37.6%	7.5%	14.3%	25.0%	2.5%
Operating expenses	211,668	180,052	160,763	141,974	127,035
% change	17.6%	12.0%	13.2%	11.8%	–13.4%
Operating profit	105,642	50,588	53,761	45,782	23,210
% change	108.8%	–5.9%	17.4%	97.3%	1097.6%
Operating profit margin [%]	33.3%	21.9%	25.1%	24.4%	15.4%
Net profit	91,021	44,654	44,603	39,185	20,753
% change	103.8%	0.1%	13.8%	88.8%	900.1%
Net profit margin [%]	28.7%	19.4%	20.8%	20.9%	13.8%
Total equity	440,181	374,757	352,221	295,148	280,834
% change	17.4%	6.4%	19.3%	5.1%	4.9%
Capital ratio [%]	23.0%	21.7%	29.0%	26.1%	24.5%

[1] Including credit loss expense.

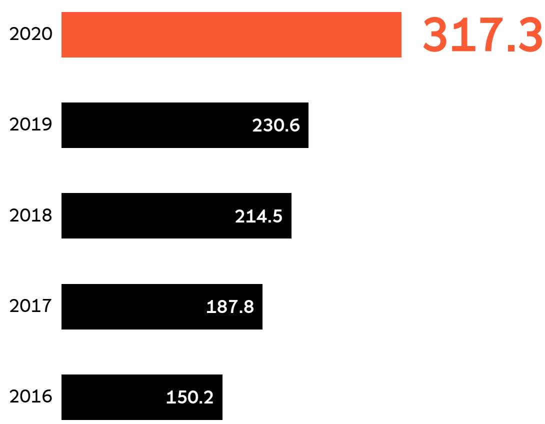
85.90 CHF
SWISSQUOTE STOCK PRICE
as at 31 December 2020

23.0%
CAPITAL RATIO

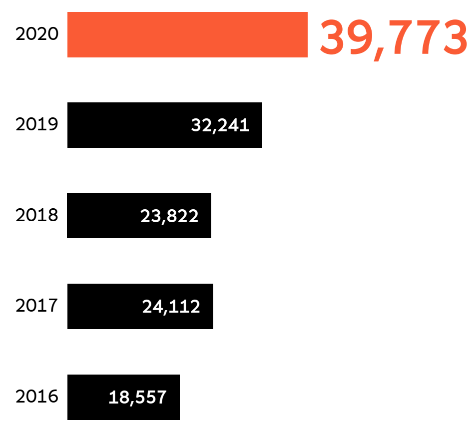
317.3m CHF
OPERATING INCOME
(including credit loss expense)

Key figures

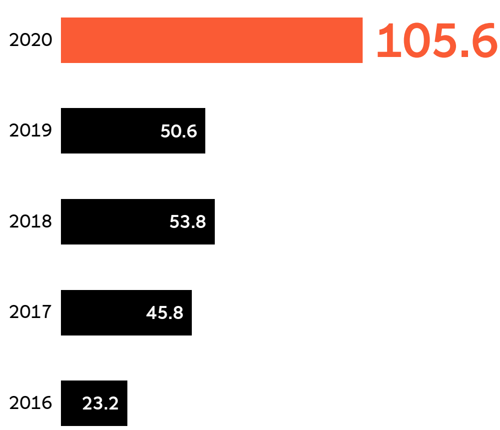
OPERATING INCOME
(including credit loss expense)
in CHFm



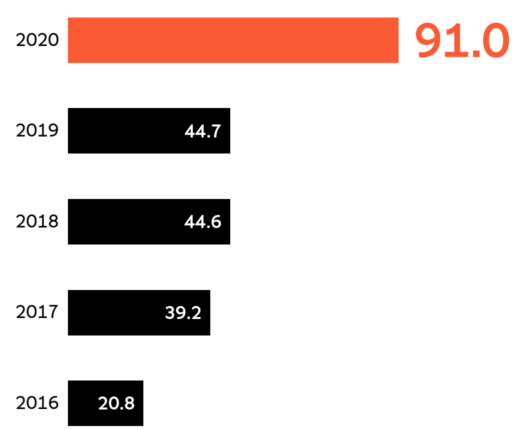
CLIENT ASSETS
in CHFm



OPERATING PROFIT
in CHFm



NET PROFIT
in CHFm



5.3bn CHF
NET NEW MONEY INFLOW

33.3%
OPERATING PROFIT MARGIN

39.8bn 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 2016 – 2020

in CHF

DEVELOPMENT OF STOCK MARKET SHARE PRICE JANUARY TO DECEMBER 2020

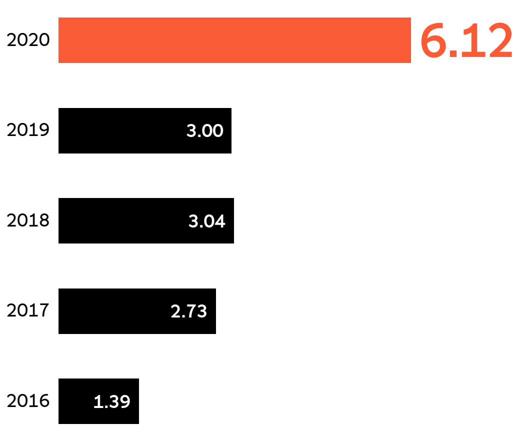
in CHF

Swissquote share

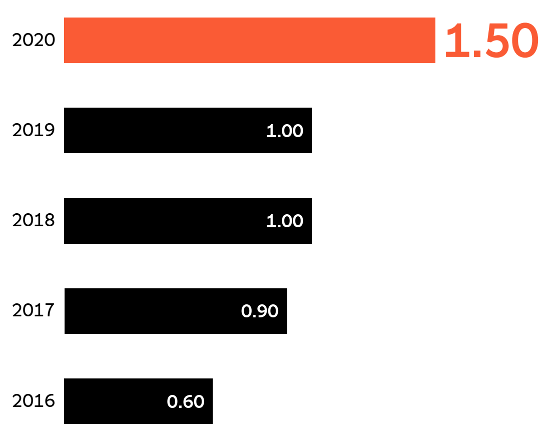
	2020	2019	2018	2017	2016
SHARE PRICE IN CHF					
High	90.80	53.50	75.80	38.55	28.90
Low	44.28	34.25	38.20	23.30	21.50
31 December	85.90	48.52	45.25	38.15	23.85
MARKET CAPITALISATION IN CHF MILLION					
High	1,391.8	820.1	1,161.9	590.9	443
Low	678.7	525.0	585.5	357.1	329.6
31 December	1,316.7	743.7	693.6	584.8	365.6
TOTAL EQUITY					
Operating income[1] per share	21.35	15.52	14.64	13.09	10.09
Earnings per share	6.12	3.00	3.04	2.73	1.39
Equity per share	28.72	24.45	22.98	19.26	18.32
Dividend per share	1.50[2]	1.00	1.00	0.86	0.13
Other payout per share	–	–	–	0.04	0.47

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

EARNINGS PER SHARE
in CHF



PAYOUT PER SHARE
in CHF



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

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

UNITE AS ONE
DARE TO BE DIFFERENT
DO THE RIGHT THING
IN PURSUIT OF EXCELLENCE
ALWAYS SAY IT HOW IT IS
CHAMPION THE CUSTOMER

SWISSQUOTE TRADING PLATFORM

Member
SIX & EUREX

+70
Stock exchanges

Real time
www.swissquote.ch

+60 000
Bonds

20 000
Investment funds

+90 000
Structured products

+40
Themes trading

+75
Currency pairs and FX options

+10
CFD stock indices

+10
Cryptocurrencies & tokens

Deriva-tives
EUREX, CME, etc.

+20
Precious metals and commodities

SWISSQUOTE SERVICES

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

«With offices in seven countries, Swissquote expands its international presence and is a global market player.»

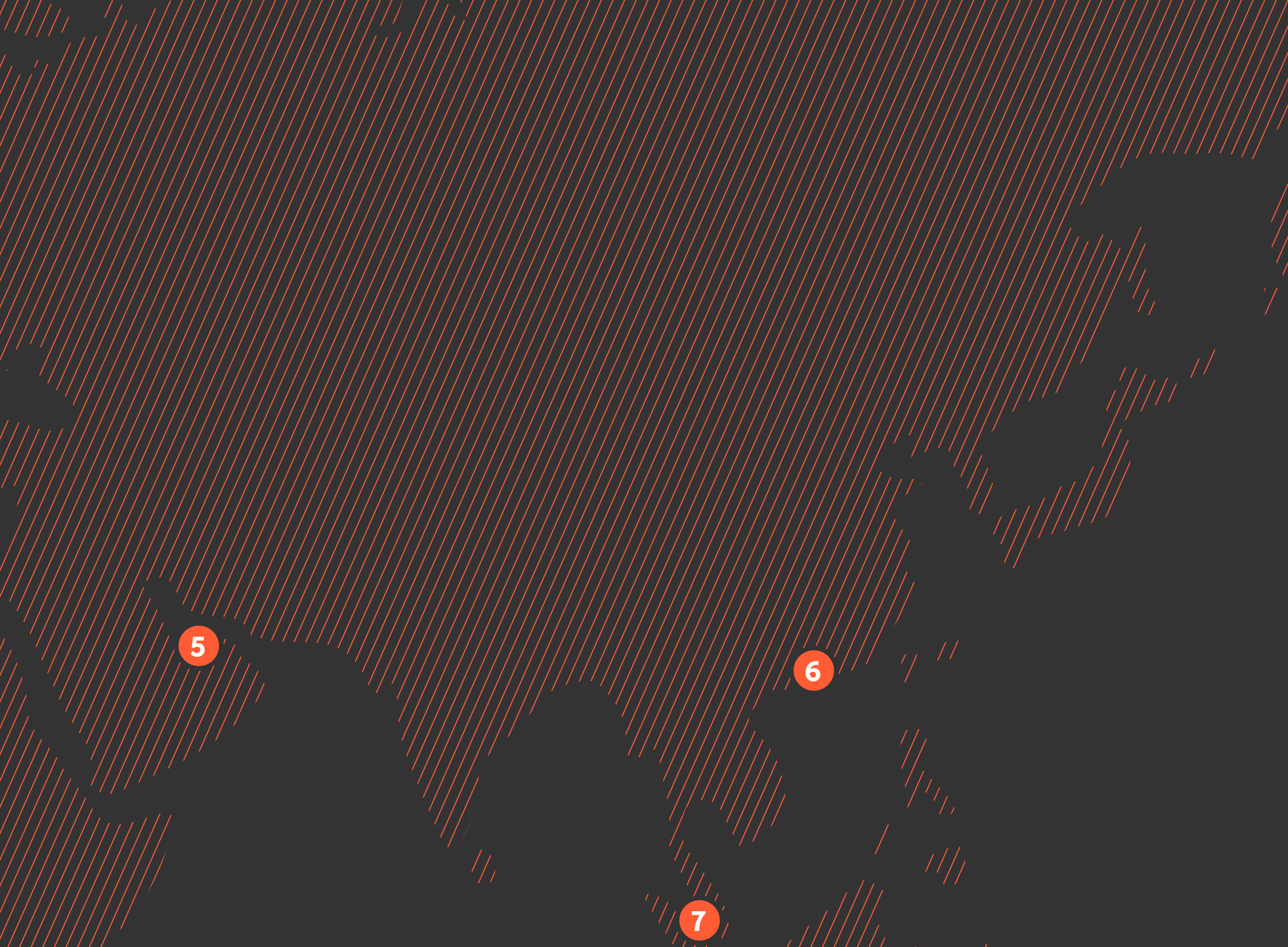
1 **Geneva, Zurich, Bern**
Swissquote Bank Ltd

3 **Malta**
Swissquote Financial Services (Malta) Ltd

2 **Luxembourg**
Swissquote Bank Europe SA

4 **London**
Swissquote Ltd

- eForex services
- eTrading services
- Robo-Advisory services
- Fund custody services



5 **Dubai**
Swissquote MEA Ltd,
Swissquote Bank Ltd
Rep. Office

6 **Hong Kong**
Swissquote Asia Ltd,
Swissquote Bank Ltd
Rep. Office

7 **Singapore**
Swissquote Pte. Ltd

Report to the shareholders

Dear shareholders,

2020 was an exceptional year in a large number of respects. Swissquote achieved strong and fundamental growth and can for the first time report over 400,000 clients accounts. Client assets rose to a record of CHF 39.8 billion on the back of an organic net new money inflow of CHF 5.3 billion. Operating income rose by 37.6 percent compared with the previous year to CHF 317.3 million, while pre-tax profit more than doubled year-on-year to CHF 105.6 million. Profitability remained at a high level, with the pre-tax profit margin at 33.3 percent. Not only was the revised forecast for 2020 exceeded by a significant margin, but the medium-term targets for 2022 had already been met by year-end. Swissquote shares performed well, with the share price climbing by 77 percent to CHF 85.90.

Revenues set new records year after year

At CHF 321.8 million (CHF 239.9 million), **operating revenues** were at their highest level to date, having risen by 34.2 percent year-on-year. Adjusted for negative interest rates of CHF 4.7 million and fair value adjustments of CHF 0.2 million, **operating income** were up by 37.6 percent on the previous year to CHF 317.3 million (CHF 230.6 million).

Net fee and commission income rose by 74.3 percent to CHF 162.0 million (CHF 92.9 million) due to the strong growth in trading accounts and the increased trading activity on those accounts. The cryptocurrency business contributed CHF 16.0 million (CHF 6.3 million) to fee and commission income.

Net eForex income climbed by 25.5 percent to CHF 107.3 million (CHF 85.5 million) thanks to positive growth in eForex volumes.

As expected, **net interest income** dropped by 35.9 percent to CHF 25.7 million (CHF 40.1 million) due to the decrease in the USD interest rate. During the year under review, Swissquote did not alter its negative interest rate policy on cash accounts denominated in EUR and CHF. The leasing programme launched with electric cars at the end of 2020 got off to a promising start.

Net trading income (currency trading excluding eForex but including credit loss expense) rose by 25.5 percent to CHF 26.8 million (CHF 21.4 million).

Operating expenses in line with expectations

At CHF 211.7 million (CHF 180.1 million), **operating expenses** were 17.6 percent higher than in the previous year, due mainly to the rise in payroll and related expenses (+CHF 20.7 million). At the end of 2020, Swissquote had a workforce of 805 employees (+11.5 percent).

Net profit exceeds expectations

The combination of expenses and revenues brought a 108.8 percent increase in **pre-tax profit** to CHF 105.6 million (CHF 50.6 million) and resulted in a pre-tax profit margin of 33.3 percent (21.9 percent) for 2020. **Net profit** doubled year-on-year to CHF 91.0 million (CHF 44.7 million), exceeding expectations. This is the result of the strong organic growth and the rise in average client assets that enabled Swissquote to demonstrate its operational strengths as well as its ability to improve profitability at a high level. High-end technology and innovation are two other factors that contributed greatly to these record figures.

Solid capital base

Swissquote succeeded in combining record profitability and organic growth with a stable and solid Basel III **capital ratio** at 23.0 percent (21.7 percent). So although Swissquote is growing fast, it remains one of Switzerland's best-capitalised banks. **Total equity** increased by 17.4 percent to CHF 440.2 million (CHF 374.8 million).

2020 was an exceptional year with record figures in terms of growth and profitability.

Operating revenues: exclude the cost of negative interest rates (excluding FX swaps) (–CHF 4.7 million) and unrealised fair value adjustments (CHF 0.2 million).
Operating income : includes credit loss expense.
Net interest income: excludes the cost of negative interest rates (excluding FX swaps).

Total number of accounts sets new record

The high **net new money inflow** of CHF 5.275 billion (CHF 4.558 billion, not only organic) is attributable on the one hand to the faster pace of customer acquisition and, on the other, to the greater adoption of digital services in Switzerland and the increased interest in those services.

Client assets rose by 23.4 percent in 2020 to CHF 39.8 billion (CHF 32.2 billion) due to the client growth and the 8.1 percent rise in average client assets. Per customer, this equates to an average of approximately CHF 100,000. As at the end of December 2020, clients held assets of CHF 38.7 billion (+23.8 percent) in trading accounts, CHF 251.1 million (–5.4 percent) in savings accounts, CHF 334.1 million (+44.1 percent) in Robo-Advisory accounts and CHF 439.7 million (–1.6 percent) in eForex accounts.

The **total number of accounts** grew by 50,636 (+14.1 percent) to a record 410,248. The breakdown of accounts is as follows: 338,330 trading accounts (+20.1 percent), 19,037 savings accounts (–3.4 percent), 4,540 Robo-Advisory accounts (+35.0 percent) and 48,341 eForex accounts (–11.7 percent).

410,248

Total number of accounts

Car leasing service launched for electric cars

In December 2020, Swissquote launched a new online leasing offering that is the first of its kind in Switzerland. Swissquote is thus expanding its lending activities and responding to the current interest rate environment. While leasing is a popular option in Switzerland for new vehicle buyers, Swissquote is concentrating on a clear market trend towards e-mobility.

Expansion of market position in cryptocurrency trading

Swissquote continues to expand its role as a pioneer in cryptocurrency trading. Since July 2017 it has been possible for private clients to make investments using cryptocurrencies, and since summer 2020 Swissquote has also been giving institutional clients the opportunity to conduct professional crypto trading while also offering custodian bank services with a view to driving their digital asset business. The portfolio currently comprises the 12 major cryptocurrencies (e.g. Bitcoin and Ether). Swissquote's efforts, which also include expanding the institutional product range, are focused on asset managers, hedge funds, private banks and family offices.

Acceleration of European strategy

Acquired in 2019, Internaxx Bank S.A. was rebranded Swissquote Bank Europe SA. following the successful migration of customers to the Swissquote technology. Since then, the expansion of the product offering has positioned Swissquote as a partner of choice for European customers. At migration, online trading for new stock exchanges and new products was introduced. Since the end of February this year, Swissquote Bank Europe has also been among the first banks in the euro zone to make cryptocurrency trading available to clients.

Swissquote and PostFinance enter into joint venture

Swissquote and PostFinance are Switzerland's leading providers of online financial services. They have been collaborating successfully on online trading for several years now and in November 2020 decided to expand this partnership: the two companies are launching a joint digital banking app in the first semester 2021.

Report to the shareholders

Swissquote publishes an annual sustainability report (ESG)

In addition to the financial reporting, Swissquote is for the first time publishing a sustainability report. People in a wide variety of roles and interests are responsible for Swissquote's achievements and future performance. In the newly designed reporting, this diversity is reflected through the stakeholder approach. This meets the greatly increased need for non-financial information, to which investors in particular are giving ever greater consideration in their investment decisions. Today's publication of the first sustainability report is a clear expression of Swissquote's long-standing awareness of ESG considerations. This new report complies with the well-known and stringent GRI standards.

Distribution of profit to shareholders

In light of the very sound business performance and solid capital ratio, the Board of Directors will propose to the Annual General Meeting of Swissquote Group Holding Ltd. on 6 May 2021 that the dividend be increased by 50 percent from CHF 1.00 to CHF 1.50 per share.

Amendments to the Articles of Incorporation

In addition to the ordinary agenda items and the vote regarding the dividend payment of CHF 1.50 per share, the Board of Directors will also put motions to the shareholders for various amendments to the Articles of Incorporation designed to improve the company's corporate governance and strengthen shareholders' rights. The Board of Directors will in particular propose to redefine the level of the authorised capital. The Board of Directors will propose that the authorised capital, which currently amounts to a maximum of 2 million shares (or 13.0 percent of the company's stated share capital) and expires on 5 May 2022, be reduced to a maximum of 1.5 million shares (or 9.8 percent of the company's stated share capital) and that the expiration date be extended to 6 May 2023. Such amendments to the Articles of Incorporation will mitigate possible dilutions of the share capital whilst still ensuring an appropriate financial flexibility.

Thanks

On behalf 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 business 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. In particular, in this exceptional year, we would like to thank our shareholders for the trust they place in us, and all employees for their personal commitment and willingness to push the boundaries time after time. 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

FINAN-
CIAL
REPORT

Consolidated financial statements

Consolidated statement of financial position

in CHF	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and balances with central banks	1	4,062,541,475	2,871,118,650
Treasury bills and other eligible bills	1	449,831,424	439,206,719
Due from banks	1/4	1,538,095,680	2,159,429,953
Derivative financial instruments	2	113,403,124	97,759,018
Trading assets	3	5,090,574	5,949,451
Loans	5	551,518,696	338,672,203
Investment securities	6	484,558,406	334,936,276
Deferred income tax assets	13	3,008,440	3,466,758
Intangible assets	7	45,528,777	45,727,825
Information technology systems	8	60,792,650	55,690,924
Property, plant and equipment	9	70,970,244	70,455,998
Other assets	10	44,612,067	50,294,283
Total assets		**7,429,951,557**	**6,472,708,058**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	1	248,112,871	129,920,394
Derivative financial instruments	2	67,449,118	58,940,824
Due to customers	11	6,545,783,196	5,813,524,509
Other liabilities	12	111,948,859	86,124,178
Current income tax liabilities	13	7,192,166	2,913,765
Deferred tax liabilities	13	1,230,575	937,160
Provisions	14	8,053,334	5,589,838
Total liabilities		**6,989,770,119**	**6,097,950,668**
Equity			
Ordinary shares	16.1	3,065,634	3,065,634
Share premium		54,437,365	52,399,616
Share option reserve	16.2	2,557,489	2,134,630
Other reserve	16.3	(14,956,885)	(13,668,548)
Treasury shares	16.4	(31,718,631)	(18,787,665)
Retained earnings	16.5	426,796,466	349,613,723
Total equity		**440,181,438**	**374,757,390**
Total liabilities and equity		**7,429,951,557**	**6,472,708,058**

The notes on pages 26 to 113 are an integral part of these financial statements.

Consolidated income statement

in CHF	Notes	2020	2019
Fee and commission income	17	180,391,215	102,757,460
Fee and commission expense	17	(18,403,697)	(9,842,438)
Net fee and commission income		**161,987,518**	**92,915,022**
Interest income	18	25,225,450	21,476,259
Interest expense (incl. negative interest on assets)	18	(22,920,883)	(30,210,148)
Other interest income	18	19,294,786	39,714,064
Other interest expense	18	(640,955)	(433,696)
Net interest income		**20,958,398**	**30,546,479**
Net trading income	19	**158,391,377**	**108,893,207**
Operating income		**341,337,293**	**232,354,708**
Credit loss expense	20	(24,027,896)	(1,714,201)
Operating expenses	21	(211,667,800)	(180,052,239)
Operating profit		**105,641,597**	**50,588,268**
Income tax expense	13	(14,620,816)	(5,934,623)
Net profit		**91,020,781**	**44,653,645**
SHARE INFORMATION			
Earnings per share	22	6.12	3.00
Diluted earnings per share	22	6.08	2.99
Weighted average number of shares	22	14,863,811	14,865,039

The notes on pages 26 to 113 are an integral part of these financial statements.

Consolidated statement of comprehensive income

in CHF	Notes	2020	2019
NET PROFIT		**91,020,781**	44,653,645
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)		(45,185)	25,544
Net realised gains/(losses) reclassified to the income statement from equity	19	(68,403)	(16,653)
Income tax effect		13,838	(1,244)
Currency translation differences	16.3	(915,927)	(1,285,578)
Total other comprehensive income that may be reclassified to the income statement		**(1,015,677)**	**(1,277,931)**
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)		1,645,597	18,500
Income tax effect		(213,927)	(2,590)
Defined benefit obligation:			
Remeasurement	15b	(1,959,000)	(6,883,000)
Income tax effect		254,670	963,620
Total other comprehensive income that will not be reclassified to the income statement		**(272,660)**	**(5,903,470)**
Other comprehensive income for the period (net of tax)		(1,288,337)	(7,181,401)
Total comprehensive income for the period		89,732,444	37,472,244

The notes on pages 26 to 113 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 2020		3,065,634	52,399,616	2,134,630	(13,668,548)	(18,787,665)	349,613,723	374,757,390
Net profit of the period		–	–	–	–	–	91,020,781	91,020,781
Investment securities FVOCI & FVOCI equities	6/19	–	–	–	1,532,009	–	–	1,532,009
Remeasurement of defined benefit obligation	15b	–	–	–	(1,959,000)	–	–	(1,959,000)
Income tax effect (aggregated)		–	–	–	54,581	–	–	54,581
Currency translation differences	16.3	–	–	–	(915,927)	–	–	(915,927)
Total comprehensive income for the period		**–**	**–**	**–**	**(1,288,337)**	**–**	**91,020,781**	**89,732,444**
		–	–	–	–	–	–	–
Dividend	16.5	–	–	–	–	–	(14,899,013)	(14,899,013)
Employee stock option plan:		–	–	–	–	–	–	–
Amortisation of services	16.2	–	–	1,483,834	–	–	–	1,483,834
Stock options exercised, lapsed or forfeited	16.2	–	–	(1,060,975)	–	–	1,060,975	–
Treasury shares:		–	–	–	–	–	–	–
Purchase	16.4	–	–	–	–	(18,626,539)	–	(18,626,539)
Sale/remittance	16.4	–	2,037,749	–	–	5,695,573	–	7,733,322
Balance as at 31 December 2020		**3,065,634**	**54,437,365**	**2,557,489**	**(14,956,885)**	**(31,718,631)**	**426,796,466**	**440,181,438**

The notes on pages 26 to 113 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 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	6/19	–	–	–	27,391	–	–	27,391
Remeasurement of defined benefit obligation	15b	–	–	–	(6,883,000)	–	–	(6,883,000)
Income tax effect (aggregated)		–	–	–	959,786	–	–	959,786
Currency translation differences	16.3	–	–	–	(1,285,578)	–	–	(1,285,578)
Total comprehensive income for the period		**–**	**–**	**–**	**(7,181,401)**	**–**	**44,653,645**	**37,472,244**
		–	–	–	–	–	–	–
Dividend	16.5	–	–	–	–	–	(14,859,653)	(14,859,653)
Employee stock option plan:		–	–	–	–	–	–	–
Amortisation of services	16.2	–	–	1,218,975	–	–	–	1,218,975
Stock options exercised, lapsed or forfeited	16.2	–	–	(349,467)	–	–	349,467	–
Treasury shares:		–	–	–	–	–	–	–
Purchase	16.4	–	–	–	–	(4,128,568)	–	(4,128,568)
Sale/remittance	16.4	–	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 26 to 113 are an integral part of these financial statements.

Consolidated statement of cash flows

in CHF	Notes	2020	2019
Cash flow from/(used in) operating activities:			
Fee and commission received		181,755,860	103,251,194
Fee and commission paid		(18,074,778)	(10,358,618)
Interest received		49,786,505	63,030,189
Interest paid		(20,934,267)	(31,284,330)
Net trading income received		155,939,188	107,041,655
Income tax paid		(9,441,456)	(7,253,308)
Payments to employees		(89,499,828)	(86,158,236)
Payments to suppliers		(64,387,787)	(59,249,995)
Cash flow from operating profit before changes in operating assets and liabilities		**185,143,437**	**79,018,551**
Net change in operating assets and liabilities:			
Treasury bills and other eligible bills (above 3 months)		(51,989,654)	(11,311,238)
Due from banks (above 3 months)		17,869,269	(212,992,132)
Derivative financial instruments (assets)		(15,644,106)	(40,289,168)
Trading assets		1,273,453	(3,610,659)
Loans		(238,189,446)	(45,514,960)
Derivative financial instruments (liabilities)		8,508,294	23,188,623
Due to customers		772,443,294	564,869,026
Other liabilities		–	(4,137,003)
Net cash from operating activities		**679,414,541**	**349,221,040**
Cash flow from/(used in) investing activities:			
Purchase of property, plant and equipment and information technology systems	8/9	(30,687,069)	(26,320,958)
Proceeds from sale and reimbursement of investment securities		140,528,022	139,035,189
Purchase of investment securities		(302,509,848)	(158,645,594)
Purchase of subsidiary, net of cash acquired	7	–	273,394,646
Net cash from investing activities		**(192,668,895)**	**227,463,283**
Cash flow from/(used in) financing activities:			
Repayment of lease liabilities		(2,780,236)	(2,059,281)
Purchase of treasury shares		(18,626,539)	(4,128,568)
Sale of treasury shares		7,225,992	2,389,231
Dividend and reimbursement from reserves	16.5	(14,899,013)	(14,859,653)
Net cash from/(used in) financing activities		**(29,079,796)**	**(18,658,271)**
Net increase in cash and cash equivalents		**457,665,850**	**558,026,052**
Cash and cash equivalents as at 1 January	1	4,695,284,043	4,144,081,857
Exchange difference on cash and cash equivalents		(29,996,510)	(6,823,866)
Cash and cash equivalents as at 31 December [1]	**1**	**5,122,953,383**	**4,695,284,043**
Cash and cash equivalents:			
Cash and balances with central banks		4,062,541,475	2,871,118,650
Treasury bills and other eligible bills (less than 3 months)		180,087,836	221,412,253
Due from banks (less than 3 months)		1,128,436,943	1,732,673,534
Deposits from banks		(248,112,871)	(129,920,394)
Total as at 31 December [1]	**1**	**5,122,953,383**	**4,695,284,043**

[1] CHF 404.5 million and CHF 439.0 million of cash and cash equivalents were restricted as at 31 December 2020 and 31 December 2019, respectively (see Note 1).

The notes on pages 26 to 113 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 Swissquote Bank Ltd (the "Bank") and globally under the Swissquote brand with offices located in the United Arab Emirates (Dubai), Europe (United Kingdom, Luxembourg and Malta), the Republic of China (Hong Kong) and Asia Pacific (Singapore).

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

The Group employed 805 employees (full-time equivalent) at the end of December 2020 (31 December 2019: 722) and 410,248 customers were using the platforms and apps of Swissquote (31 December 2019: 359,612).

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 have been 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 2020 consisted of 15,328,170 ordinary shares of CHF 0.20 nominal value each (2019: 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 16.1.

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

	2020			2019		
	Shares	Options	Total	Shares	Options	Total
Marc Bürki	11.83%	0.11%	**11.94%**	12.32%	0.11%	**12.43%**
Paolo Buzzi	11.67%	0.11%	**11.78%**	12.22%	0.12%	**12.34%**
PostFinance AG	5.00%	–	**5.00%**	5.00%	–	**5.00%**
JPMorgan Chase & Co.	3.43%	–	**3.43%**	<3%	–	**<3%**
Mario Fontana	3.04%	–	**3.04%**	4.41%	–	**4.41%**
Credit Suisse Funds AG	3.01%	–	**3.01%**	<3%	–	**<3%**
Exane Derivatives SNC	<3%	–	**<3%**	3.02%	–	**3.02%**
Treasury shares:						
Swissquote Group Holding Ltd (Note 16.4)			**3.35%**			**3.06%**

Except for the above-mentioned shareholders, no other shareholder registered in the share register or announced to SIX Swiss Exchange owns 3% or more of the issued share capital as at 31 December 2020. 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 2020 is 71.50% (2019: 70.46%).

The consolidated financial statements were approved for publication by the Board of Directors on 17 March 2021.

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 the 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 (e.g. 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 derivative products;
- Launch of a subsidiary in Malta, today named Swissquote Financial Services (Malta) Limited, active in the field of fund custody.

2014

- Strategic partnership between Swissquote and PostFinance, the main white-label partner in the field of eTrading 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 and custody 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. Was rebranded Swissquote Bank Europe S.A. in March 2020;
- Launch of a 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; up to 60 stock exchanges online.

2020

- Expansion of offering in the area of cryptocurrencies (e.g. EOS, Stellar and Chainlink) with a new total of 12 cryptocurrencies;
- Launch of a new online leasing offering in collaboration with electric carmaker.

As at 31 December 2020, 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:

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

Reportable segments

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. An operating segment is defined in IFRS 8 as a component of an entity (1) that 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 entities to disclose information in a manner consistent with the basis of internal reporting provided to the chief operating decision maker (CODM) and used by the CODM to evaluate segment results and allocate resources.

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.

Effective 1 January 2020, segmental disclosures have been updated in order to more closely align with key performance measures reviewed by the CODM and the developments of management reporting. Following these changes, the Group only reports total operating income for each reportable segment and no longer discloses segmental net profit, nor a segmental statement of financial positions. The Group manages financial risks and business activities on a group-wide portfolio basis and a large portion of costs are incurred centrally. These costs are not allocated to individual reportable segments for decision-making purposes and accordingly these costs have not been allocated to reportable segments. Comparative information was changed as required by IFRS 8.

Historically, the Group acts as a leader in the online securities trading market and has progressively extended its activities not only by increasing the level of assistance to its customers (Robo-Advisory) but as well by adding products and services such as Lombard loans and crypto assets trading. In the securities trading segment, the Group operates in a number of geographic markets and is regulated by different financial regulators. The Group's revenues are mainly generated by a transaction fee for each transaction.

The Group gained a critical mass in the leveraged forex segment (eForex) through 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. In the leveraged forex segment, the regulations as well affect how the Group is able to market and provide its services to customers. If the regulations are continually evolving, the regulatory environment is less restrictive in comparison to the securities trading segment. The Group revenues are mainly generated by adding a mark-up to the price provided by the market.

With due care to the above explanations, the Group has defined two operating segments:

– Securities trading;
– Leveraged forex (eForex).

Notes to the consolidated financial statements

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

Based thereon, the analysis of reportable segments for 2020 and 2019 is as follows:

in CHF	2020	2019
OPERATING INCOME BY GEOGRAPHY		
Securities trading		
Switzerland	211,285,814	130,076,050
Europe	15,971,353	11,179,068
Middle East	6,518,159	5,590,703
Asia Pacific	218,587	–
Subtotal securities trading	**233,993,913**	**146,845,821**
Leveraged forex		
Switzerland	87,917,621	64,596,421
Europe	2,719,511	2,579,554
Middle East	10,458,837	12,239,746
Asia Pacific	6,247,411	6,093,166
Subtotal leveraged forex	**107,343,380**	**85,508,887**
Total operating income	**341,337,293**	**232,354,708**
Total unallocated expenses	(235,695,696)	(181,766,440)
Operating profit	**105,641,597**	**50,588,268**

The geographical split reflects the location of the office that manages the client relationship.

in CHF	2020	2019
OPERATING INCOME BY PRODUCT		
Securities trading		
Cash and foreign exchange	71,798,709	53,621,789
Shares, ETFs, structured products and investment funds	126,531,890	60,153,333
Crypto assets	16,005,629	6,292,957
Others	19,657,685	26,777,742
Subtotal securities trading	**233,993,913**	**146,845,821**
Leveraged forex		
Foreign exchange	62,482,782	51,624,107
Contracts-for-difference	28,619,171	17,017,189
Precious metals	16,241,427	16,867,591
Subtotal leveraged forex	**107,343,380**	**85,508,887**
Total operating income	**341,337,293**	**232,354,708**
Total unallocated expenses	(235,695,696)	(181,766,440)
Operating profit	**105,641,597**	**50,588,268**

Notes to the consolidated financial statements

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

The consolidated financial statements for the year 2020 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 2020

The Group has applied the following standards and amendments for the first time for the period beginning on 1 January 2020.

Standards/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9, IAS 39 and IFRS 7 (amendments)	Interest Rate Benchmark Reform	1 January 2020
IAS 1 and IAS 8 (amendments)	Definition of Material	1 January 2020
IFRS 3 (amendments)	Definition of a Business	1 January 2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

B Standards and interpretations issued, but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

C Early adoption of standards

The Group did not early adopt new or amended standards in 2020.

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.

Intercompany 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	2020	2019
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%
Swissquote Bank Europe S.A. [1]	Luxembourg/Luxembourg	Active	100%	100%
Swissquote Pte. Ltd	Singapore/Singapore	Active	100%	100%

[1] Formerly Internaxx Bank S.A.

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. The functional and presentation currencies of foreign subsidiaries are GBP, HKD, EUR, USD and SGD.

	2020		2019	
Foreign currency translation	Closing rates	Average rates	Closing rates	Average rates
AED	0.2410	0.2541	0.2635	0.2704
AUD	0.6825	0.6468	0.6792	0.6911
CAD	0.6955	0.6975	0.7453	0.7505
CNY	0.1362	0.1355	0.1390	0.1438
DKK	0.1454	0.1437	0.1453	0.1487
EUR	1.0816	1.0709	1.0856	1.1105
GBP	1.2107	1.2070	1.2821	1.2707
HKD	0.1142	0.1205	0.1242	0.1268
JPY	0.0086	0.0088	0.0089	0.0091
NOK	0.1032	0.0996	0.1103	0.1128
SEK	0.1076	0.1023	0.1034	0.1048
SGD	0.6698	0.6785	0.7195	0.7288
TRY	0.1190	0.1331	0.1626	0.1752
USD	0.8854	0.9345	0.9678	0.9930

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 a 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 implies that the Group operates in two reported operating segments:

- Securities trading;
- Leveraged forex.

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 to by IFRS.

F Financial assets

F1 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.

F2 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.

F3 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: financial assets held for trading and changes in the fair value are recognised in the income statement.

Finance lease receivables

Where the Group acts as leasing provider for customers under a finance lease, a receivable is recognised in Loans at an amount equal to the present value of the aggregate of the lease payments receivable from the customer and the guaranteed residual value that the Group expects to recover at the end of the lease term. Part of lease payments received during the lease term are allocated as repayments of the outstanding receivable. The finance lease income is calculated using the effective interest method and are recognised in the income statement (Net interest income).

Other financial assets

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).

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 occurred. For example:

- Treasury bills and other eligible bills, Due from banks and Investment securities: 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 are considered as a backstop by the Group. 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
- 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 a higher credit risk.

Default and credit impairment

The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as defaulted 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.

Simplified approach

For finance lease receivables, as an accounting policy the Group elected to use a simplified approach, which means recognition of lifetime expected credit losses irrespective of if a significant increase in credit risk has taken place. The model will be periodically updated and developed based on experience.

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, 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 the 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, except for FVOCI equities where there is no recycling.

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.

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 relationship. Expected life is determined on a case-by-case basis on the 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	Straight-line	3 to 10 years
Proprietary software	Straight-line	2 to 5 years
Hardware & telecom systems	Straight-line	Maximum 5 years

K Property, plant and equipment

K1 Land and buildings

Land and buildings are carried at historical cost less accumulated depreciation and provision for impairment where required. Land is not depreciated. Depreciation on buildings 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

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.

K3 Leasehold improvements and equipment

Leasehold improvements and equipment 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.

Assets	Depreciation method	
Land	Not depreciated	N.A.
Buildings	Straight-line	Maximum 30 years
Right-of-use assets	Straight-line	3 to 10 years [1]
Leasehold improvements	Straight-line	5 to 10 years
Equipment	Straight-line	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.

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).

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 the 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 the 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 2020, the Group operates various post-employment schemes, including defined benefit and defined contribution pension plans (2019: same situation).

Switzerland (defined benefit plan)

With regard to operations located in Switzerland, the pension plan has been set up in accordance with 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 through 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 service providers. Swiss pension plans must ensure that they can meet their obligations at 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.

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 split 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 being met.

Fee and commission income for services at a specific 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.

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 the 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 performed 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 the 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. In September 2020, the Swiss Parliament adopted the Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology (DLT bill). The Federal Council brought into force the parts of the DLT bill that enable the introduction of ledger-based securities effective 1 February 2021, while the remaining and most relevant provisions are expected to enter into force on 1 August 2021.

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 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. Reference is made to Section II regarding the update of segmental disclosure.

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 judgements, 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, and changes in the assumptions may have a significant impact on the financial statements in the period that such 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 2020, 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.

However, it is worthwhile acknowledging that the COVID-19 pandemic gives a greater degree of uncertainty that may exist when making judgements and estimates for the preparation of the consolidated financial statements. Overall, the impact of the COVID-19 pandemic resulted in a significant increase of trading volumes and customers that benefitted the Group with recording operating income and profitability ahead of its forecasts and previous year.

If the Group does have a subsidiary in the United Kingdom, it is not doing any significant business with the United Kingdom and the United Kingdom operations are rather limited. During the transitional period, the Group was able to secure its access to the European Union thanks to its subsidiary based in Luxembourg. Therefore, the exit of the United Kingdom from the European Union (Brexit) does not affect any estimations or judgements made in the preparation of the consolidated financial statements.

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 2020, the carrying amount of goodwill amounted to CHF 44.8 million (2019: CHF 44.8 million).

Under IFRS, 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 7).

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 7). 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 the Basel III framework.

B Employee benefits

As at 31 December 2020, the defined benefit obligation amounted to CHF 78.4 million (2019: CHF 67.6 million) which resulted in a net liability of CHF 22.0 million (2019: CHF 18.3 million) after deduction of the fair value of the 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 15).

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 the appropriate discount rate, the Group considers the interest rates of high-quality bonds maturities 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. In general, the Group leverages the models used in determining the parameters under Basel III framework. In certain cases, the Group may use a simplified approach (finance lease receivables).

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 a 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.

B Financial assets and liabilities categorisation

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

in CHF	Amortised cost	FVTPL	FVOCI & FVOCI equities	Total	Fair value
CLASSES OF FINANCIAL ASSETS					
Cash and balances with central banks	4,062,541,475	–	–	4,062,541,475	4,062,541,475
Treasury bills and other eligible bills	449,831,424	–	–	449,831,424	449,831,424
Due from banks	1,538,095,680	–	–	1,538,095,680	1,538,095,680
Derivative financial instruments	–	113,403,124	–	113,403,124	113,403,124
Trading assets	–	5,090,574	–	5,090,574	5,090,574
Loans	551,518,696	–	–	551,518,696	551,518,696
Investment securities	459,424,405	10,556,455	14,577,546	484,558,406	495,573,621
Other assets	20,690,980	–	–	20,690,980	20,690,980
Total financial assets	**7,082,102,660**	**129,050,153**	**14,577,546**	**7,225,730,359**	**7,236,745,574**
Deferred income tax assets				3,008,440	
Intangible assets				45,528,777	
Information technology systems				60,792,650	
Property, plant and equipment				70,970,244	
Other assets (precious metals)				23,921,087	
Total non-financial assets				**204,221,198**	
Total assets as at 31 December 2020				**7,429,951,557**	

in CHF	Amortised cost	FVTPL	Total	Fair value
CLASSES OF FINANCIAL LIABILITIES				
Deposits from banks	248,112,871	–	248,112,871	248,112,871
Derivative financial instruments	–	67,449,118	67,449,118	67,449,118
Due to customers	6,545,783,196	–	6,545,783,196	6,545,783,196
Other liabilities	111,948,859	–	111,948,859	111,948,859
Total financial liabilities	**6,905,844,926**	**67,449,118**	**6,973,294,044**	**6,973,294,044**
Current income tax liabilities			7,192,166	
Deferred tax liabilities			1,230,575	
Provisions			8,053,334	
Total non-financial liabilities			**16,476,075**	
Total liabilities as at 31 December 2020			**6,989,770,119**	
Net balance as at 31 December 2020			**440,181,438**	

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	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				23,992,647	
Total non-financial assets				**199,334,152**	
Total assets as at 31 December 2019				**6,472,708,058**	

in CHF	Amortised cost	FVTPL	Total	Fair value
CLASSES OF FINANCIAL LIABILITIES				
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**	

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 2020					
Assets measured at fair value					
Derivative financial instruments	46,536,961	66,866,163	–	113,403,124	113,403,124
Trading assets	5,090,574	–	–	5,090,574	5,090,574
Investment securities	13,674,851	11,459,150	–	25,134,001	25,134,001
Other assets (precious metals)	23,921,087	–	–	23,921,087	23,921,087
Total assets measured at fair value	**89,223,473**	**78,325,313**	**–**	**167,548,786**	**167,548,786**
Assets not measured at fair value					
Cash and balances with central banks					4,062,541,475
Treasury bills and other eligible bills					449,831,424
Due from banks					1,538,095,680
Loans					551,518,696
Investments securities	218,117,895	252,321,725	–	470,439,620	459,424,405
Deferred income tax assets					3,008,440
Intangible assets					45,528,777
Information technology systems					60,792,650
Property, plant and equipment					70,970,244
Other assets					20,690,980
Total assets not measured at fair value	**218,117,895**	**252,321,725**	**–**	**470,439,620**	**7,262,402,771**
Total assets	**307,341,368**	**330,647,038**	**–**	**637,988,406**	**7,429,951,557**
Liabilities measured at fair value					
Derivative financial instruments	7,588,923	59,860,195	–	67,449,118	67,449,118
Total liabilities measured at fair value	**7,588,923**	**59,860,195**	**–**	**67,449,118**	**67,449,118**
Liabilities not measured at fair value					
Deposits from banks					248,112,871
Due to customers					6,545,783,196
Other liabilities					111,948,859
Current income tax liabilities					7,192,166
Deferred tax liabilities					1,230,575
Provisions					8,053,334
Total liabilities not measured at fair value	**–**	**–**	**–**	**–**	**6,922,321,001**
Total liabilities	**7,588,923**	**59,860,195**	**–**	**67,449,118**	**6,989,770,119**

C Fair value of financial assets and liabilities (continued)

Assets measured at fair value

Investment securities measured at fair value comprise financial assets at fair value through profit or loss (31 December 2020: CHF 10.6 million of which CHF 9.0 million is classified as level 2), financial assets at fair value through other comprehensive income (31 December 2020: CHF 2.5 million of which CHF 2.5 million is classified as level 2) and financial assets at fair value through other comprehensive income equities (31 December 2020: CHF 12.1 million of which none is classified as level 2).

Assets and liabilities not measured at fair value

Investment securities not measured at fair value comprise 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.

C Fair value of financial assets and liabilities (continued)

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					3,466,758
Intangible assets					45,727,825
Information technology systems					55,690,924
Property, plant and equipment					70,455,998
Other assets					26,301,636
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**

C Fair value of financial assets and liabilities (continued)

Financial assets measured at fair value

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

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 a 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 FINMA regulation.

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 the 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 2020, 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 the 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 approaches:

	31 December 2020 and 2019
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.

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. The 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 2020	31 December 2019	31 December 2020	31 December 2019
Credit risk:				
Sovereign	51,742,300	6,927,500	4,139,384	554,200
Banks	464,387,000	493,653,480	37,150,960	39,492,278
Corporates	170,550,700	101,528,900	13,644,056	8,122,312
Other institutions	108,302,800	143,061,400	8,664,224	11,444,912
Others	135,489,000	168,731,000	10,839,120	13,498,480
Non-counterparty risk	131,762,894	126,146,922	10,541,032	10,091,754
Market risk	98,875,462	38,566,838	7,910,037	3,085,347
Operational risk	507,344,152	419,182,203	40,587,532	33,534,576
Total	**1,668,454,308**	**1,497,798,243**	**133,476,345**	**119,823,859**

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 intangible assets (goodwill).

in CHF	31 December 2020	31 December 2019
ELIGIBLE CAPITAL		
Ordinary shares	3,065,634	3,065,634
Share premium	54,437,365	52,399,616
Share option reserve	2,557,489	2,134,630
Other reserve	(14,956,885)	(13,668,548)
Treasury shares	(31,718,631)	(18,787,665)
Retained earnings	426,796,466	349,613,723
Subtotal	**440,181,438**	**374,757,390**
General adjustments		
Intangible assets	(45,528,777)	(45,727,825)
Others	(11,738,600)	(3,785,025)
Total common equity tier 1 capital (CET1 capital)	**382,914,061**	**325,244,540**
Total tier 2 capital (T2)	659,421	57,420
Total eligible capital	**383,573,482**	**325,301,960**

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 2020	31 December 2019	Basel III minimum requirement	Capital conservation buffer	Total minimum requirement
Common equity tier 1 ratio (CET1)	23.0%	21.7%	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 (%)	**23.0%**	**21.7%**	**8.0%**	**3.2%**	**11.2%**

Additional metrics required by FINMA Circular 2016/1:

	31 December 2020	31 December 2019
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 (23.0%) (2019: 21.7%)	19.5%	18.2%
CET1 available to cover total minimum capital requirement after deduction of AT1 (1.6%) and T2 (2.2%) which are filled by CET 1 (23.0%) (2019: 21.7%)	19.2%	17.9%
Capital ratio available to meet CET1 and T1 capital targets after deduction of T2 minimum requirement (2.2%)	20.8%	19.5%

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. Total leverage ratio exposure corresponds to total assets adjusted by tier 1 capital deductions and off-balance sheet items. Due to the current sanitary environment, banks are holding large deposits with central banks. In this context, FINMA decided to apply an exemption relating to the leverage ratio: Cash and balances with central banks are excluded from the leverage ratio exposure. This exemption applies until 1 January 2021.

in CHF thousand, except where indicated	31 December 2020		31 December 2019
	without FINMA exemption	with FINMA exemption	
Tier 1 capital	382,914	382,914	325,245
Total leverage ratio exposure	7,560,070	3,497,581	6,539,523
Leverage ratio (%)	**5.1%**	**10.9%**	**5.0%**

Swissquote Bank Ltd and Swissquote Bank Europe SA are as well subject to applicable leverage requirement regulations.

D5 Liquidity coverage ratio

The Liquidity Ordinance (LiqO) and the FINMA Circular 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 entities to publicly disclose the LCR on a quarterly basis, calculated based on the three-month average of the LCR components. Swissquote Bank Ltd's main liquidity figures are presented hereafter.

in CHF thousand, except where indicated	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 2019
LIQUIDITY COVERAGE RATIO (LCR)					
Cash outflows	1,344,940	1,335,385	1,201,868	1,304,863	1,375,776
Cash inflows	(401,716)	(371,877)	(391,033)	(377,812)	(350,326)
Net cash outflows	943,224	963,508	810,835	927,051	1,025,450
Total high-quality liquid assets (HQLA)	3,011,286	3,212,332	3,293,882	3,751,545	3,378,129
Liquidity Coverage Ratio (LCR in %)	**319%**	**333%**	**406%**	**405%**	**329%**

During 2020, 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 2020, the Net Stable Funding Ratio (NSFR) reported to Swiss National Bank was 284% (2019: 319%).

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.

Swissquote Bank Europe SA is as well subject to liquidity requirement regulations.

Since January 2020, the Group started to report LCR figures on a consolidated basis as presented in the table below. In the future, the Group intends to only present LCR Group figures on its consolidated financial statements.

in CHF thousand, except where indicated	Q1 2020	Q2 2020	Q3 2020	Q4 2020
LIQUIDITY COVERAGE RATIO (LCR)				
Cash outflows	1,270,553	1,285,851	1,199,400	1,287,956
Cash inflows	(527,957)	(496,677)	(512,695)	(481,386)
Net cash outflows	742,596	789,174	686,705	806,570
Total high-quality liquid assets (HQLA)	3,041,486	3,265,760	3,348,046	3,812,094
Liquidity Coverage Ratio (LCR in %)	**410%**	**414%**	**488%**	**473%**

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 2020, with a coverage of 181% (31 December 2019: 224%).

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" (FGDL)) and the investor compensation system must 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 a 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;
– Finance lease receivables (leasing credits);
– Other loan receivables (public authorities).

Lombard loans and other types of margin loans: these credit limits are principally used by clients for leveraging their securities portfolio or trading certain asset classes with leverage. For that purpose, the Group operates real-time mark-to-market trading platforms and close-out monitoring tools. Credit risk arises when clients' assets deposited with the Group are not sufficient to cover trading losses incurred.

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 customer transaction, 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.

Other types of 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 indebtedness.

F1 Credit risk measurement (continued)

(I) Loans (continued)

Finance lease receivables (leasing credits): the Group offers leasing credits for new electric cars to private individuals. In that context, the Group has to comply with the Swiss Consumer Credit Act that requires a full set of mandatory checks to protect customers against over-indebtedness. These checks are based on the information provided by the customer as well as information obtained from the Swiss central credit information bureau (ZEK). Leasing credit decisions are made primarily on the basis of the credit check. These credit checks may use rating or scoring systems, which provide an objective basis for reaching a decision on the lease. A set of procedure instructions outlines the requirements for granting a lease credit.

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 regulations and the prescribed limits. Limits apply at a counterparty level. Compliance with the 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. Reverse repurchase exposures 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 a 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, not all credit exposures can always be totally eliminated on an intraday basis.

The limit for each counterparty – whose absolute maximum is defined inter alia by reference to Group eligible capital (equity) in accordance with Swiss banking regulations (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 debt securities. Treasury bills and other eligible bills comprise commercial papers and short-term debt instruments with a maturity of less than 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). Following a margin close-out, any deficit would be presented as part of Loans.

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 sub-limits 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 the 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 stages 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.

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				
in CHF	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
CREDIT RISK EXPOSURE RELATING TO FINANCIAL ASSETS SUBJECT TO IMPAIRMENT:					
Cash and balances with central banks	4,062,541,475	–	–	4,062,541,475	2,871,118,650
Treasury bills and other eligible bills	449,956,335	–	–	449,956,335	439,291,102
Due from banks	1,538,856,284	–	380,038	1,539,236,322	2,161,342,184
Loans	551,520,532	–	54,749,693	606,270,225	368,949,826
Investment securities	484,397,614	491,662	–	484,889,276	335,150,178
Gross carrying amount (A)	**7,087,272,240**	**491,662**	**55,129,731**	**7,142,893,633**	**6,175,851,940**
ECL allowance	(1,217,607)	(614)	(55,129,731)	(56,347,952)	(32,488,139)
Carrying amount	**7,086,054,633**	**491,048**	**–**	**7,086,545,681**	**6,143,363,801**
CREDIT RISK EXPOSURE RELATING TO FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT:					
Derivative financial instruments	113,403,124	–	–	113,403,124	97,759,018
Others (trading assets and other assets)	25,781,554	–	–	25,781,554	32,251,087
Carrying amount (B)	**139,184,678**	**–**	**–**	**139,184,678**	**130,010,105**
Total financial assets as at 31 December	**7,225,239,311**	**491,048**	**–**	**7,225,730,359**	**6,273,373,906**
CREDIT RISK EXPOSURE RELATING TO OFF-BALANCE SHEET ASSETS ARE AS FOLLOWS:					
Loan commitments (depositor protection contribution – Art. 37H BA)				31,878,000	28,648,000
Finance lease commitments				1,646,220	–
Total credit exposure off-balance sheet (C)				**33,524,220**	**28,648,000**
Total credit exposure (A) + (B) + (C) as at 31 December	**7,226,456,918**	**491,662**	**55,129,731**	**7,315,602,531**	**6,334,510,045**

As at 31 December 2020, 55.5% of total credit exposure is related to Swiss National Bank and Banque centrale du Luxembourg (2019: 45.8%), for which no ECL allowance was required.

During 2020, the Group did not purchase any credit-impaired financial assets.

As at 31 December 2020, there is no impairment allowance impact related to off-balance sheet exposures.

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	2020	2019
Collateral at fair value to support loans	1,676,279,253	1,056,685,211
Collateral at fair value to support due from banks	99,964,173	921,783,270
Cash deposits to support derivative financial instruments	439,737,508	447,022,634
Total as at 31 December	**2,215,980,934**	**2,425,491,115**

F6 Due from banks and loans

in CHF	31 December 2020		31 December 2019	
	Loans	Due from banks	Loans	Due from banks
Neither past due nor impaired	551,250,535	1,538,856,284	338,369,533	2,159,429,953
Past due but not impaired	269,997	–	302,670	–
Impaired	54,749,693	380,038	30,277,623	1,912,231
Gross balance	**606,270,225**	**1,539,236,322**	**368,949,826**	**2,161,342,184**
Impairment allowance	(54,751,529)	(1,140,642)	(30,277,623)	(1,912,231)
Net balance	**551,518,696**	**1,538,095,680**	**338,672,203**	**2,159,429,953**

Loans are spread over 22,204 distinct customers (2019: 18,148), 79.3% of whom are domiciled in Switzerland (2019: 74.0%). The largest balance as at 31 December 2020 is CHF 21,153,046 (2019: CHF 18,161,386).

Due from banks are spread over 73 distinct counterparties (2019: 88). The largest balance as at 31 December 2020 is related to margin deposit with EUREX Exchange of an amount of CHF 118,199,516 (2019: CHF 140,634,361).

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–	226,902,107	108,436,475	–	–	335,338,582
	From A+ to A–	379,838,406	149,123,674	–	–	528,962,080
	From BBB+ to BBB–	233,128,919	35,552,031	7,258,382	–	275,939,332
SPECULATIVE GRADE	From BB+ to BB–	–	–	–	–	–
	From B+ to B–	–	–	–	–	–
	From CCC+ to CCC–	–	–	–	–	–
	From CC+ to C–	–	–	–	–	–
UNRATED	Not applicable	288,014,915	109,840,771	–	–	397,855,686
Total as at 31 December 2020		**1,127,884,347**	**402,952,951**	**7,258,382**	**–**	**1,538,095,680**

Unrated counterparties relate to Swiss cantonal banks for CHF 155.6 million (2019: CHF 165.3 million), other Swiss financial institutions for CHF 151.3 million (2019: CHF 42.4 million), Luxembourg based banks for CHF 14.0 million (2019: CHF 31.2 million) and other banks for CHF 76.8 million (2019: CHF 69.8 million).

No credit limits were exceeded during 2020 and 2019.

At year-end, up to CHF 404.5 million (2019: CHF 439.0 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–	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
Total as at 31 December 2019		**1,731,406,496**	**416,872,532**	**10,856,500**	**294,425**	**2,159,429,953**

F7 Investment securities, treasury bills and other eligible bills

Investment securities (CHF 484.6 million), treasury bills and other eligible bills (CHF 449.8 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–	222,623,633	2,873,471	157,829,606	28,874,928	412,201,638
	From A+ to A–	32,375,796	39,852,426	53,731,213	16,404,780	142,364,215
	From BBB+ to BBB–	33,950,035	17,991,068	87,705,972	8,382,122	148,029,197
SPECULATIVE GRADE	From BB+ to BB–	–	993,952	950,421	–	1,944,373
	From B+ to B–	–	–	–	–	–
	From CCC+ to CCC–	–	–	–	–	–
	From CC+ to C–	–	–	–	–	–
UNRATED	Not applicable	229,850,407	–	–	–	229,850,407
Total as at 31 December 2020		**518,799,871**	**61,710,917**	**300,217,212**	**53,661,830**	**934,389,830**

Cash and balances with central banks	4,062,541,475
Other assets than cash and balances with central banks, investment securities and treasury bills and other eligible bills	2,433,020,252
Total assets as at 31 December 2020	**7,429,951,557**

As at 31 December 2020, the balance of CHF 1.9 million identified as speculative grade entirely consists of bonds issued by Swiss, Brazilian and British corporates. The balance identified as unrated mainly consists of loans to Swiss municipalities for CHF 205.2 million (2019: CHF 235.7 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 2020, investment securities, treasury bills and other eligible bills for an amount of CHF 337.6 million (2019: CHF 289.7 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–	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**

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

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-lending 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	4,018,577,806	43,958,621	5,048	4,062,541,475
Treasury bills and other eligible bills	240,302,364	101,258,676	108,270,384	449,831,424
Due from banks	779,742,837	595,510,025	162,842,818	1,538,095,680
Derivative financial instruments	27,463,973	22,854,410	63,084,741	113,403,124
Trading assets	5,090,574	–	–	5,090,574
Loans	376,509,270	74,021,791	100,987,635	551,518,696
Investment securities	199,107,521	129,867,046	155,583,839	484,558,406
Other assets	20,690,980	–	–	20,690,980
Total financial assets as at 31 December 2020	**5,667,485,325**	**967,470,569**	**590,774,465**	**7,225,730,359**

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**

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 2020	Total as at 31 December 2019
Banks and other financial entities	55,611,694	47,694,581	1,538,568,261	208,051,895	1,849,926,431	2,423,912,932
Central banks	4,062,541,475	–	–	–	4,062,541,475	2,871,118,650
Sovereign and municipalities	392,055,919	–	5,000,000	57,535,820	454,591,739	497,560,521
Subtotal	**4,510,209,088**	**47,694,581**	**1,543,568,261**	**265,587,715**	**6,367,059,645**	**5,792,592,103**
Automobiles & parts	–	–	2,224,719	13,485,337	15,710,056	6,126,175
Basic resources	–	–	–	5,388,609	5,388,609	6,336,083
Chemicals	–	–	–	12,640,265	12,640,265	3,493,194
Constructions & materials	2,163,811	–	–	6,943,500	9,107,311	1,472,900
Food & beverages	–	–	–	29,145,661	29,145,661	9,316,768
Healthcare	–	–	–	32,218,032	32,218,032	3,248,808
Individuals	–	65,708,543	543,821,396	–	609,529,939	356,805,114
Industrial goods & services	–	–	–	25,666,547	25,666,547	16,062,354
Insurance	–	–	–	9,794,300	9,794,300	4,631,698
Media	–	–	–	2,909,983	2,909,983	–
Oil & gas	–	–	–	12,705,824	12,705,824	3,231,047
Personal & household goods	–	–	–	15,421,277	15,421,277	5,081,548
Retail	–	–	–	11,602,851	11,602,851	4,710,040
Supranational	–	–	–	–	–	10,088,362
Technology	–	–	–	21,094,803	21,094,803	12,831,363
Telecommunications	–	–	–	9,737,728	9,737,728	3,057,426
Travel and leisure	–	–	–	4,659,140	4,659,140	–
Utilities	–	–	–	5,556,834	5,556,834	2,037,836
Subtotal	**2,163,811**	**65,708,543**	**546,046,115**	**218,970,691**	**832,889,160**	**448,530,716**
Other assets with no industry sector concentration					230,002,752	231,585,239
Total assets					**7,429,951,557**	**6,472,708,058**

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	7,374,322	7,374,322	1,500,873	5,873,449
Currency options	2,748,757	2,748,757	–	2,748,757
Currency forwards, precious-metals forwards and CFD derivatives	103,280,045	103,280,045	439,737,508	11,233,919
Credit default swaps	–	–	–	–
Balance as at 31 December 2020	**113,403,124**	**113,403,124**	**441,238,381**	**19,856,125**
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	–
Credit default swaps	–	–	–	–
Balance as at 31 December 2019	**97,759,018**	**97,759,018**	**447,022,634**	**5,615,751**

in CHF	Gross amounts of recognised financial liabilities	Presented in statement of financial positions
DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)		
Foreign exchange swaps	(19,455,355)	(19,455,355)
Currency options	(2,748,757)	(2,748,757)
Currency forwards, precious-metals forwards and CFD derivatives	(45,243,668)	(45,243,668)
Credit default swaps	(1,338)	(1,338)
Balance as at 31 December 2020	**(67,449,118)**	**(67,449,118)**
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)
Credit default swaps	–	–
Balance as at 31 December 2019	**(58,940,824)**	**(58,940,824)**

Currency forwards, precious metals forwards and CFD derivatives recognised as derivative financial instruments mainly 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 the amount of CHF 439.7 million (2019: CHF 447.0 million).

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:

in CHF	Stage 1	Stage 2	Stage 3	Total	2020	2019
MOVEMENTS, GROSS OF TAX, THAT DO REDUCE THE CARRYING AMOUNT OF FINANCIAL ASSETS:						
Impairment allowance under IFRS 9 as at 1 January 2020	**1,805,722**	**–**	**30,682,417**	**32,488,139**	**–**	**–**
Transfers from stage 1 to stage 3	–	–	24,724,576	24,724,576	(24,724,576)	(1,782,952)
Derecognitions and new purchases	(195,845)	614	–	(195,231)	195,231	(173,795)
Changes in assumptions (PD, EAD and LGD)	(392,270)	–	–	(392,270)	392,270	353,028
Other movements [1]	–	–	(277,262)	(277,262)	100,867	(163,762)
Impairment allowance under IFRS 9 as at 31 December 2020	**1,217,607**	**614**	**55,129,731**	**56,347,952**	**–**	**–**
MOVEMENTS, GROSS OF TAX, THAT DO NOT REDUCE THE CARRYING AMOUNT OF FINANCIAL ASSETS:						
Impairment allowance under IFRS as at 1 January 2020	**8,646**	**–**	**–**	**8,646**	**–**	**–**
Derecognitions	(8,312)	–	–	(8,312)	8,312	48,206
Changes in assumptions (PD, EAD and LGD)	–	–	–	–	–	5,074
Total as at 31 December 2020	**1,217,941**	**614**	**55,129,731**	**56,348,286**	**–**	**–**
Total as at 1 January 2020	1,814,368	–	30,682,417	32,496,785	–	–
Credit loss expense					**(24,027,896)**	**(1,714,201)**

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

When customers trade any leveraged product offering, there is the potential and inherent risk for a client to lose more than the collateral lodged.

Client credit risk only arises when the 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's account in the negative. Stage 3 captures the risk associated with a client defaulting on its obligations due to the Group.

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

The 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:

– 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 the 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 except where the carrying amounts are assessed to be reasonable approximations of these 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 2020						
Non-derivative financial liabilities						
Deposits from banks	248,112,871	–	–	–	–	248,112,871
Due to customers	6,545,783,196	–	–	–	–	6,545,783,196
Other liabilities	98,124,378	–	60,261	3,695,930	10,068,290	111,948,859
Total non-derivative financial liabilities (contractual maturity dates) – (A)	**6,892,020,445**	**–**	**60,261**	**3,695,930**	**10,068,290**	**6,905,844,926**
Derivative financial instruments						67,449,118
Non-financial liabilities						16,476,075
Total liabilities						**6,989,770,119**
Commitments (B)	31,878,000	–	–	–	–	31,878,000
Total maturity grouping (A) + (B)	**6,923,898,445**	**–**	**60,261**	**3,695,930**	**10,068,290**	**6,937,722,926**
Total non-derivative financial assets (expected maturity dates)	(5,629,159,022)	(349,009,746)	(706,310,126)	(374,186,510)	(53,661,831)	(7,112,327,235)
Net balance	**1,294,739,423**	**(349,009,746)**	**(706,249,865)**	**(370,490,580)**	**(43,593,541)**	**(174,604,309)**

G2 Non-derivative cash flows (continued)

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)**

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 2020						
Assets						
Derivatives held for trading						
Foreign exchange swaps	3,909,152	1,767,150	1,509,814	188,206	–	7,374,322
Currency options	963,322	324,974	1,460,461	–	–	2,748,757
Currency forwards	50,222,219	3,982,521	13,742,659	7,881,613	–	75,829,012
Precious-metals forwards	12,513,894	–	–	–	–	12,513,894
CFD derivatives	14,937,139	–	–	–	–	14,937,139
Derivatives held for hedging						
Credit default swaps	–	–	–	–	–	–
Total	**82,545,726**	**6,074,645**	**16,712,934**	**8,069,819**	**–**	**113,403,124**
Liabilities						
Derivatives held for trading						
Foreign exchange swaps	7,891,802	6,860,067	4,128,633	574,853	–	19,455,355
Currency options	963,322	324,974	1,460,461	–	–	2,748,757
Currency forwards	11,625,339	3,826,751	13,579,067	7,427,177	–	36,458,334
Precious-metals forwards	8,300,746	–	–	–	–	8,300,746
CFD derivatives	484,588	–	–	–	–	484,588
Derivatives held for hedging						
Credit default swaps	–	–	1,338	–	–	1,338
Total	**29,265,797**	**11,011,792**	**19,169,499**	**8,002,030**	**–**	**67,449,118**

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 2020. These transactions have to be classified in the 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 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						
Credit default swaps	–	–	–	–	–	–
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						
Credit default swaps	–	–	–	–	–	–
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 (eForex) clientele as at 31 December 2019. These transactions have to be classified in the category "Less than 1 month".

Notes to the consolidated financial statements

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 2020				
Loan commitments	31,878,000	–	–	31,878,000
Finance lease commitments	1,646,220	–	–	1,646,220
Total	**33,524,220**	**–**	**–**	**33,524,220**
AS AT 31 DECEMBER 2019				
Loan commitments	28,648,000	–	–	28,648,000
Finance lease commitments	–	–	–	–
Total	**28,648,000**	**–**	**–**	**28,648,000**

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 as an irrevocable commitment under the off-balance sheet transactions.

Finance lease commitments

Finance lease commitments represent unused but firm and irrevocable commitments to grant finance lease credits as at 31 December 2020

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 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 its 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 aim 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.

H1 Foreign exchange risk (continued)

The table below summarises the Group's exposure to foreign currency risk as at 31 December 2020. 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 2020					
Assets					
Cash and balances with central banks	4,018,538,128	12,834	43,982,329	8,184	4,062,541,475
Treasury bills and other eligible bills	216,315,489	147,768,260	61,826,588	23,921,087	449,831,424
Due from banks	801,997,798	392,972,481	155,728,782	187,396,619	1,538,095,680
Derivative financial instruments	28,319,276	49,431,217	10,295,453	25,357,178	113,403,124
Trading assets	2,126,040	842,825	2,121,709	–	5,090,574
Loans	203,796,925	146,620,475	162,525,685	38,575,611	551,518,696
Investment securities	223,247,860	124,898,278	121,173,328	15,238,940	484,558,406
Other assets	15,744,428	2,884,246	1,149,938	912,368	20,690,980
Total financial assets	**5,510,085,944**	**865,430,616**	**558,803,812**	**291,409,987**	**7,225,730,359**
Liabilities					
Deposits from banks	15,736,127	120,943,477	70,348,928	41,084,339	248,112,871
Derivative financial instruments	29,499,455	34,853,831	552,153	2,543,679	67,449,118
Due to customers	2,904,755,509	1,871,896,099	1,333,503,786	435,627,802	6,545,783,196
Other liabilities	99,912,764	1,520,722	6,422,752	4,092,621	111,948,859
Total financial liabilities	**3,049,903,855**	**2,029,214,129**	**1,410,827,619**	**483,348,441**	**6,973,294,044**
Net	**2,460,182,089**	**(1,163,783,513)**	**(852,023,807)**	**(191,938,454)**	**252,436,315**
Off-balance sheet notional position and credit commitments	(2,176,678,682)	1,150,790,688	850,898,630	208,513,584	33,524,220
Net exposure	**283,503,407**	**(12,992,825)**	**(1,125,177)**	**16,575,130**	**285,960,535**

H1 Foreign exchange risk (continued)

The table below summarises the Group's exposure to foreign currency risk as at 31 December 2019. 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**

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 their contractual repricing or maturity dates, whichever is earlier.

in CHF	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
AS AT 31 DECEMBER 2020					
Assets					
Cash and balances with central banks	4,062,541,475	–	–	–	4,062,541,475
Treasury bills and other eligible bills	180,048,068	263,261,994	–	6,521,362	449,831,424
Due from banks	1,127,884,347	402,952,951	7,258,382	–	1,538,095,680
Derivative financial instruments	88,620,371	16,712,934	8,069,819	–	113,403,124
Trading assets	5,090,574	–	–	–	5,090,574
Loans	546,518,696	–	5,000,000	–	551,518,696
Investment securities	41,218,477	37,378,665	358,820,795	47,140,469	484,558,406
Other assets	20,690,980	–	–	–	20,690,980
Total financial assets	**6,072,612,988**	**720,306,544**	**379,148,996**	**53,661,831**	**7,225,730,359**
Liabilities					
Deposits from banks	248,112,871	–	–	–	248,112,871
Derivative financial instruments	40,277,589	19,169,499	8,002,030	–	67,449,118
Due to customers	6,545,783,196	–	–	–	6,545,783,196
Other liabilities	98,124,378	60,261	3,695,930	10,068,290	111,948,859
Total financial liabilities	**6,932,298,034**	**19,229,760**	**11,697,960**	**10,068,290**	**6,973,294,044**
Net	**(859,685,046)**	**701,076,784**	**367,451,036**	**43,593,541**	**252,436,315**
Off-balance sheet notional position and credit commitments	–	–	–	–	–
Net exposure	**(859,685,046)**	**701,076,784**	**367,451,036**	**43,593,541**	**252,436,315**

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 their contractual repricing or maturity dates, whichever is earlier.

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 notional position and credit commitments	–	–	–	–	–
Net exposure	**(753,426,707)**	**726,407,763**	**174,948,334**	**36,934,611**	**184,864,001**

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 in CHF currency against USD, EUR and all other currencies as this is considered as reasonably possible.

in CHF thousand	Sensitivity analysis		
AS AT 31 DECEMBER 2020			
+ 5% variation	USD	EUR	Others
Net impact before income tax expense	**(650)**	**(56)**	**829**
– 5% variation			
Net impact before income tax expense	**650**	**56**	**(829)**

in CHF thousand	Sensitivity analysis		
AS AT 31 DECEMBER 2019			
+ 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)**

The sensitivity analysis assumes normal market conditions, in particular with regard to liquidity and volatility and factors for which the automatic close-out system used by the Group for leveraged product offering provides a sufficient degree of protection to eliminate the risk that client losses will exceed margin deposits. The sensitivity analysis did not result materially in other changes in equity (2019: 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 a 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.

in CHF thousand	Sensitivity analysis – 100 basis points		+ 100 basis points	
AS AT 31 DECEMBER 2020	Income statement (profitability effect)	Equity (net present value effect)	Income statement (profitability effect)	Equity (net present value effect)
CHF	10,168	55	3,881	(53)
EUR	(2,472)	110	7,873	(107)
USD	(6,789)	41	8,022	(39)
Others	(1,571)	–	2,686	–
Total impact before income tax expense	**(664)**	**206**	**22,462**	**(199)**
Income tax expense	86	(27)	(2,920)	26
Total impact after income tax expense	**(578)**	**179**	**19,542**	**(173)**
As at 31 December 2019	(12,122)	48	23,941	(46)

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. Regarding required disclosures on qualitative and quantitative information about interest rate risk in the banking book (IRRBB disclosure) as per FINMA Circular 2016/1 "Disclosure – banks", reference is made to the "Supplementary regulatory disclosures - interest rate risk in the banking book" section of the report.

H4 Equity market risk

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

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

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

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 of 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 on 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. It also comprises all legal and compliance risks insofar as these could represent a direct financial loss. 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 controlling and risk function.

The risk management framework comprises people, policies, systems, processes and controls designed to ensure that risks are appropriately identified, assessed, measured, monitored and reported, as well as mitigated on an ongoing basis.

The identification, assessment and controlling of operational risks is an ongoing process that is organised with two lines of defence. On the one hand, each Head of Department is primarily responsible that operational risks related to the activities deployed by their units are identified, assessed, mitigated and controlled. Any risk event has to be escalated to the Controlling & Risk Department, the Chief Risk Officer, the Executive Management and/or the Board of Directors depending on its nature and magnitude. On the other hand, the Controlling & Risk Department maintains a transversal risk analysis, where each risk is categorized and prioritized. The Controlling & Risk Department assesses the transition from the inherent risk to the net risk based on the quality of the controls that depends on the relevance, effectiveness and efficiency and experience. External events related to operational risks are also considered in the transversal risk analysis.

The Chief Risk Officer is the executive accountable for operational risk management. The Controlling & Risk Department makes sure that the rules and limits in terms of internal control system as set by the Board of Directors are applied, and maintains a system that allows identifying, assessing, analyzing and controlling all the operational risks incurred by the Group. The technology risk, which is central in the operational risk management since the Group is heavily dependent on technology to supply its services to clients and to run its internal processes, is managed under the supervision of the Chief Operating Officer and with the support of dedicated team units. The management of cybersecurity and data protection risks is aligned with international standards and applicable regulations.

The Chief Risk Officer quarterly reports to the Audit & Risk Committee on the changes in the assessment of the operational risk and on significant internal and relevant external operational risk events. In addition to the ongoing update of both perspectives of risk/control analysis of the processes, the adequacy and effectiveness of the internal control system are formally assessed once a year by the Board of Directors. In that context, the Chief Risk Officer produces an annual report for the Board of Directors, the Audit & Risk Committee and the Executive Management on the assessment of the internal control system of the Group, which includes among others the areas of technology, information security and Business Continuity Management.

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 as well as assets from other banks, amount to CHF 30.0 billion (2019: CHF 24.4 billion) while fiduciary placements with third-party institutions amount to CHF 314.1 million (2019: CHF 388.9 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, a subset of which are needed to effectuate any transfer. The Group selected Bitstamp and Coinbase as liquidity providers and sub-custodians. 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. Bitstamp and Coinbase are regulated in their respective jurisdictions and are audited by reputable audit firms. Both intermediaries use qualified custodian purpose-built infrastructure to store cryptocurrencies held in trust for the benefit of customers.

Notes to the consolidated financial statements

Section VII: Other notes to the consolidated financial statements

1 Cash and cash equivalents

in CHF	2020	2019
Cash and balances with central banks	4,062,541,475	2,871,118,650
Treasury bills and other eligible bills	449,831,424	439,206,719
Due from banks	1,538,095,680	2,159,429,953
Deposits from banks	(248,112,871)	(129,920,394)
Total net	**5,802,355,708**	**5,339,834,928**
Less: treasury bills and other eligible bills (above 3 months)	(269,783,356)	(217,858,545)
Less: due from banks (above 3 months)	(410,211,333)	(428,023,457)
Plus: impairment allowance	592,364	1,331,117
Cash and cash equivalents as at 31 December	**5,122,953,383**	**4,695,284,043**

Cash and balances with central banks comprise CHF 4.0 billion deposits with Swiss National Bank (2019: CHF 2.8 billion) and CHF 44.0 million with Banque centrale du Luxembourg (2019: CHF 52.3 million).

Treasury bills and other eligible bills comprise CHF 205.2 million of short-term receivables (below 12 months) from Swiss municipalities and cantons (2019: CHF 250.8 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 CHF 404.5 million (2019: CHF 439.0 million) of cash collateral deposits in favour of third-party banks that are used to provide access to certain exchanges and markets.

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	7,374,322	(19,455,355)	2,583,997,341
Currency options	2,748,757	(2,748,757)	3,158,477
Currency forwards	75,829,012	(36,458,334)	3,629,885,818
Precious-metals forwards	12,513,894	(8,300,746)	504,192,843
CFD derivatives (indices and commodities)	14,937,139	(484,588)	510,260,610
Total derivatives held for trading	**113,403,124**	**(67,447,780)**	**7,231,495,089**
Derivatives held for hedging			
Derivatives designated as fair value hedge:			
Credit default swaps	–	(1,338)	265,611
Total derivatives held for hedging	**–**	**(1,338)**	**265,611**
Total as at 31 December 2020	**113,403,124**	**(67,449,118)**	**7,231,760,700**

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

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:			
Credit default swaps	–	–	–
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 mainly related to clients' transactions. Foreign exchange swaps and currency options are mainly related to the Group's own transactions.

3 Trading assets

in CHF	2020	2019
Investment funds	2,114,516	2,000,273
Equities	2,048,986	2,372,946
Structured products and other trading assets	927,072	1,576,232
Total trading assets as at 31 December	**5,090,574**	**5,949,451**

4 Due from banks

in CHF	2020	2019
Due from banks	1,539,236,322	2,161,342,184
Impairment allowance	(1,140,642)	(1,912,231)
Total due from banks as at 31 December	**1,538,095,680**	**2,159,429,953**

5 Loans

a. Loans

in CHF	2020	2019
Lombard loans and similar loans	509,975,251	289,385,023
Finance lease receivables	5,080,708	–
Others (including loans to public authorities)	91,214,266	79,564,803
Impairment allowance	(54,751,529)	(30,277,623)
Total loans as at 31 December	**551,518,696**	**338,672,203**

Loans mainly consist of advances covered by the pledging of the customers portfolio consisting of cash and securities (Lombard loans).

b. Finance lease receivables

In 2020, the Group started to act as a lessor for electric car leases. The following table represents a maturity analysis of the finance lease receivables as required by IFRS 16.

in CHF	Total minimum lease payments[1]	Unearned finance income	Present value
2021	734,903	150,187	584,716
2022-2025	4,930,443	434,451	4,495,992
Total as at 31 December 2020	**5,665,346**	**584,638**	5,080,708
Total as at 31 December 2019	–	–	–

[1] Total minimum lease payments comprise payments to be received related to the finance lease activity including guaranteed residual values.

6 Investment securities

in CHF	31 December 2020	
	Carrying value	Fair value
FVTPL	10,556,455	10,556,455
FVOCI & FVOCI equities	14,577,546	14,577,546
Amortised cost	459,424,405	470,439,620
Total as at 31 December	**484,558,406**	**495,573,621**

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**

7 Intangible assets

in CHF	Goodwill	Customer relationships	Total
GROSS VALUE			
As at 1 January 2019	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
Addition	–	–	–
Currency translation differences	(21,827)	–	(21,827)
As at 31 December 2020	**44,760,816**	**3,300,000**	**48,060,816**
ACCUMULATED DEPRECIATION			
As at 1 January 2019	–	(2,177,597)	(2,177,597)
Depreciation/amortisation	–	(177,221)	(177,221)
As at 31 December 2019	–	(2,354,818)	(2,354,818)
Depreciation/amortisation	–	(177,221)	(177,221)
As at 31 December 2020	**–**	**(2,532,039)**	**(2,532,039)**
Net book value as at 31 December 2020	**44,760,816**	**767,961**	**45,528,777**
Net book value as at 31 December 2019	**44,782,643**	**945,182**	**45,727,825**

7 Intangible assets (continued)

The Group performed impairment tests of goodwill at the end of the 2019 and 2020 financial years. 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 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 2020, 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	Swissquote Bank Europe SA[1]
Carrying amount	CHF 38,989,066 (2019: same)	CHF 5,771,750 (2019: 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)	Swissquote Bank Europe SA
Basis for recoverable amount	Value in use	Value in use
Cash flow projections	5 years + terminal value	7 years + terminal value
Long-term growth rate of free cash flows	1.00%	1.00%
Discount rate	8.51% (2019: 8.52%)	8.51% (2019: 9.97%)
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

[1] Formerly named Internaxx Bank S.A.

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 2020, the estimated recoverable amount exceeds the carrying amount (2019: same).

Sensitivity analysis

The Group performed a 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.

8 Information technology systems

in CHF	Software third-party licences	Proprietary software	Hardware & telecom systems	Total
GROSS VALUE				
As at 1 January 2019	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**
Addition and others	1,515,356	22,542,810	3,415,419	27,473,585
Other changes	(2,177,348)	(24,306,768)	(5,098,707)	(31,582,823)
As at 31 December 2020	**6,504,072**	**97,269,707**	**7,962,174**	**111,735,953**
ACCUMULATED DEPRECIATION				
As at 1 January 2019	(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)**
Depreciation/amortisation	(1,184,604)	(18,836,822)	(2,350,433)	(22,371,859)
Other changes	2,177,348	24,306,768	5,098,707	31,582,823
As at 31 December 2020	**(1,850,836)**	**(45,440,884)**	**(3,651,583)**	**(50,943,303)**
Net book value as at 31 December 2020	**4,653,236**	**51,828,823**	**4,310,591**	**60,792,650**
Net book value as at 31 December 2019	4,322,484	48,122,835	3,245,605	55,690,924

Proprietary software comprises 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 2020, additions to information technology systems include an amount of CHF 14.4 million (2019: CHF 13.1 million) representing own costs capitalised according to IAS 38.

Other changes of CHF 31.6 million (2019: CHF 16.5 million) are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use.

9 Property, plant and equipment

in CHF	Land and building	Right-of-use assets	Leasehold improvements	Equipment	Total
GROSS VALUE					
As at 1 January 2019	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**
Addition and others	1,374,622	3,833,926	1,283,715	555,147	7,047,410
Other changes	–	(1,450,453)	(1,254,577)	(991,756)	(3,696,786)
As at 31 December 2020	**73,304,148**	**17,153,283**	**3,391,883**	**2,651,078**	**96,500,392**
ACCUMULATED DEPRECIATION					
As at 1 January 2019	(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)**
Depreciation/amortisation	(2,876,209)	(2,882,056)	(443,982)	(330,917)	(6,533,164)
Other changes	–	1,450,453	1,254,577	991,756	3,696,786
As at 31 December 2020	**(20,242,616)**	**(3,593,200)**	**(829,605)**	**(864,727)**	**(25,530,148)**
Net book value as at 31 December 2020	**53,061,532**	**13,560,083**	**2,562,278**	**1,786,351**	**70,970,244**
Net book value as at 31 December 2019	54,563,119	12,608,213	1,722,545	1,562,121	70,455,998

As at 31 December 2020, right-of-use assets comprise CHF 13.4 million (2019: CHF 12.4 million) relating to buildings and CHF 0.2 million (2019: CHF 0.2 million) relating to vehicles.

Other changes of CHF 3.7 million (2019: CHF 0.7 million) are related to fully depreciated items which are derecognised because no future economic benefits are expected from their use. In the specific case of right-of-use assets, other changes relate to leases that have matured during the period.

10 Other assets

in CHF	2020	2019
Accrued income	3,185,568	8,623,107
Prepaid expenses	4,823,015	4,956,809
Recoverable withholding tax	2,744,480	1,783,537
Trade receivables	9,937,917	10,938,183
Precious metals	23,921,087	23,992,647
Total as at 31 December	**44,612,067**	**50,294,283**

11 Due to customers

in CHF	2020	2019
Securities trading accounts (including saving accounts)	6,106,045,688	5,366,501,875
Leveraged forex accounts	439,737,508	447,022,634
Total as at 31 December	**6,545,783,196**	**5,813,524,509**

12 Other liabilities

in CHF	2020	2019
Accrued expenses	48,359,793	31,641,997
Account payables	6,460,581	10,497,773
Social security, pension plan and other social charges	26,939,913	21,453,051
Withholding tax to be paid and other taxes	12,917,308	7,673,555
Deferred revenues	3,446,783	2,147,273
Lease liabilities	13,824,481	12,710,529
Total as at 31 December	**111,948,859**	**86,124,178**

13 Taxation

a Deferred income tax assets

in CHF	Sources of deferred taxes: Pension-plan-related provision	Tax losses carried forward	Other temporary differences	Total
BALANCE AS AT 1 JANUARY 2019	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 connection with remeasurement of defined benefit obligation	480,350	–	–	480,350
In connection with tax losses carried forward from acquired	–	(478,601)	–	(478,601)
In connection with fair-valued assets from acquired subsidiaries	–	–	(236,583)	(236,583)
In connection with remeasurement of impairment allowance and other accounting policies	–	–	(27,148)	(27,148)
In connection with change in tax rate	(183,140)	–	(13,196)	(196,336)
Balance as at 31 December 2020	**2,861,168**	**–**	**147,272**	**3,008,440**

in CHF	2020	2019
Difference in connection with remeasurement of pension plan	2,861,168	2,563,958
Difference in connection with tax losses carried forward	–	478,601
Fair-valued assets at date of acquisition of subsidiaries (PPE and others)	2,875	239,458
Difference in connection with remeasurement of impairment allowance and other accounting policies	144,397	184,741
Total	**3,008,440**	**3,466,758**

13 Taxation (continued)

b Deferred tax liabilities

in CHF	Sources of deferred taxes Temporary differences	Total
BALANCE AS AT 1 JANUARY 2019	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**
		–
Depreciation of fair-valued assets at date of acquisition of subsidiaries	(23,039)	(23,039)
Differences in the capitalisation, depreciation and other accounting policies	383,394	383,394
Difference in applicable tax rate	(66,940)	(66,940)
Balance as at 31 December 2020	**1,230,575**	**1,230,575**

in CHF	2020	2019
Fair-valued assets at date of acquisition of subsidiaries (business combination)	390,514	445,365
Differences in the capitalisation, depreciations and other accounting policies [1]	840,061	491,795
Total as at 31 December	**1,230,575**	**937,160**

[1] Differences in the capitalisation, depreciation and other accounting policies come from the differences between IFRS and applicable statutory accounting standards.

13 Taxation (continued)

c Current income tax liabilities

in CHF	2020	2019
Related to parent company	2,090,126	622,358
Related to Swissquote Bank Ltd	4,407,462	2,127,553
Related to other subsidiaries	694,578	163,854
Total as at 31 December	**7,192,166**	**2,913,765**

As at 31 December 2020, unrecognised tax loss carryforwards represented an equivalent amount of CHF 2.6 million and had an expiry period of at least 5 years (2019: CHF 1.9 million). The level of recognised tax assets depends on assumptions regarding available future taxable profits that are eligible for offsetting in the same jurisdictions and the ability of the consolidated subsidiary to take advantage of the underlying tax losses. The amount of unrecognised tax loss carryforwards is subject to foreign exchange differences.

d Income tax expense

in CHF	2020	2019
Current-year income tax expense	13,828,340	6,830,516
Change in deferred income tax assets	712,988	(892,983)
Change in deferred tax liabilities	79,488	(2,910)
Total	**14,620,816**	**5,934,623**

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

in CHF	2020	2019
RECONCILIATION OF TAXES		
Operating profit	105,641,597	50,588,268
Income tax expense computed at average tax rate in Switzerland (2020: 13.0% – 2019: 14.0%)	13,733,408	7,082,358
Increase/(decrease) in income taxes resulting from:		
Higher/(lower) taxed income	144,840	(478,481)
Non-Swiss tax rates differing from Swiss tax rate	689,314	459,925
Tax effect of losses not recognised in foreign locations	(154,412)	(510,060)
Non-deductible tax expenses	206,010	170,656
Additional taxable income	285,285	60,225
Remeasurement of deferred tax – change in tax rate	116,371	–
Tax provision release	(400,000)	(850,000)
Total	**14,620,816**	**5,934,623**

13 Taxation (continued)
d Income tax expense

In 2020, the average tax rate was 13.0% (2019: 14.0%). The average tax rate may vary depending on the profit mix across the various jurisdictions. In 2020 and for a period of three years, the Group met specific conditions that made Swissquote Bank Ltd eligible to an additional tax deduction of 50% for research and development expenditures. This tax regime benefit was introduced in Canton of Vaud following the introduction of the Federal Act on Tax Reform and AHV Financing ("TRAF") in 2020.

14 Provisions

in CHF	2020	2019
BALANCE AS AT 1 JANUARY	**5,589,838**	4,600,527
Increase	2,804,381	2,485,273
Used/reversed	(331,764)	(1,427,267)
Exchange differences	(9,121)	(68,695)
Balance as at 31 December	**8,053,334**	**5,589,838**
Other provisions	8,053,334	5,589,838
Total as at 31 December	**8,053,334**	**5,589,838**

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. The outcome of many of these matters, the timing of resolutions, and the potential effects of resolutions on financial results are extremely difficult to predict.

15 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 2020, the level of benefits provided to staff located in foreign locations is not relevant for the 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 2020, this rate was 1.00% per annum (2019: 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:

	2020	2019
Discount rate	0.25%	0.35%
Rate of future increase in compensations	0.75%	1.25%
Interest rate credited on savings accounts	1.00%	1.00%
Pension indexation	0.00%	0.00%
Inflation rate	0.50%	1.00%
Mortality tables	BVG 2015GT	BVG 2015GT
Retirement age	65 (male)/64 (female)	65 (male)/64 (female)
Turnover	12.5% on average	12.5% 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.

15 Pension (continued)

b Defined benefit pension plans

in CHF thousand	Defined benefit obligation	Fair value of plan assets	Total
TOTAL AS AT 1 JANUARY 2020	(67,614)	49,300	(18,314)
Service cost	(5,567)	–	(5,567)
Plan amendments	–	–	–
Interest income on plan assets/(interest cost on defined benefit obligation)	(232)	179	(53)
Administrative expense	–	(144)	(144)
Actuarial gain/(loss) of other long-term employee benefits	–	–	–
Pension cost recognised in income statement	**(5,799)**	**35**	**(5,764)**
Actuarial gain/(loss) from changes in financial assumptions	305	–	305
Actuarial gain/(loss) from changes in demographic assumptions	–	–	–
Actuarial gain/(loss) from other changes	(2,397)	–	(2,397)
Return on plan assets (excluding interest income)	–	133	133
Pension cost recognised in other comprehensive income	**(2,092)**	**133**	**(1,959)**
Employees' contributions	(3,097)	3,097	–
Employer's contribution	–	4,028	4,028
Benefit payments	212	(212)	–
Total as at 31 December 2020	**(78,390)**	**56,381**	**(22,009)**
Of which active employees	(75,683)		
Of which pensioners	(2,707)		

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 assumptions	(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)**		

15 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	2020	2019
Cash	8,552	7,798
Qualified insurance policies	293	312
Debt instruments (listed)	30,527	29,007
Equity instruments (listed)	10,148	8,624
Real estate (listed)	3,472	2,692
Commodities (listed)	3,389	867
Total as at 31 December	**56,381**	**49,300**

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's assets. As at 31 December 2020, the discount rate is based on an average duration of 23.5 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 2020, the actuarial analysis established that an increase or a decrease of 0.25% in discount rate would lead to a maximum change of CHF 4.3 million (2019: CHF 3.7 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 accounts would lead to an increase or a decrease of CHF 1.1 million (2019: CHF 1.0 million).

The estimates of Employer's contributions and Employees' contributions for 2021 are expected to be close to the contributions identified in 2020 with the assumption of a stable Swiss headcount scenario.

16 Equity
16.1 Share capital
a Number of shares in 2020

	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 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**

16 Equity (continued)
16.2 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	2020	2019
BALANCE AS AT 1 JANUARY	3,598,128	(1,463,498)	2,134,630	1,265,122
Stock options lapsed, forfeited or exercised	(1,060,975)	–	(1,060,975)	(349,468)
Fair value of current-year allocation	2,075,168	(2,075,168)	–	–
Amortisation of services	–	1,483,834	1,483,834	1,218,976
Balance as at 31 December	**4,612,321**	**(2,054,832)**	**2,557,489**	**2,134,630**

The fair value of stock options granted during 2020 was CHF 2,075,168 when the Group recognised a share option expense of CHF 1,483,834.

in CHF Allocation	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	2020	2019
17	3/3	–	–	–	49,070
18	2/3	–	–	–	65,022
18	3/3	58,593	–	58,593	142,740
19	1/3	–	–	–	127,002
19	2/3	106,276	–	106,276	272,921
19	3/3	205,103	–	205,103	258,497
20	1/3	238,042	–	238,042	408,882
20	2/3	317,578	–	317,578	289,857
20	3/3	405,000	(80,557)	324,443	192,169
21	1/3	279,867	–	279,867	174,628
21	2/3	459,472	(138,910)	320,562	91,669
21	3/3	467,222	(249,810)	217,412	62,173
22	1/3	716,993	(443,946)	273,047	–
22	2/3	695,726	(563,252)	132,474	–
22	3/3	662,449	(578,357)	84,092	–
As at 31 December		**4,612,321**	**(2,054,832)**	**2,557,489**	**2,134,630**

16 Equity (continued)

16.2 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 22 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 2020 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
18	3/3	25.95	14,542	August 19	July 21	14,542	14,542	14,542
19	2/3	34.02	20,148	August 19	July 21	20,148	20,148	20,148
	3/3	34.02	39,024	August 20	July 22	39,024	39,024	39,024
20	1/3	68.81	23,860	August 19	July 21	23,860	23,860	23,860
	2/3	68.81	31,451	August 20	July 22	31,451	31,451	31,451
	3/3	68.81	40,358	August 21	July 23	40,358	–	–
21	1/3	49.89	50,297	August 20	July 22	50,297	50,297	50,297
	2/3	49.89	78,760	August 21	July 23	78,760	–	–
	3/3	49.89	78,660	August 22	July 24	78,660	–	–
22	1/3	95.00	57,734	August 21	July 23	–	–	–
	2/3	95.00	57,602	August 22	July 24	–	–	–
	3/3	95.00	57,591	August 23	July 25	–	–	–
Total			**550,027**			**377,100**	**179,322**	**179,322**

16 Equity (continued)

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

c Twenty-second allocation

The fair value of the options is determined based on the 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 2020 allocation). One option grants the right to acquire one share.

Date of grant	14/08/2020
Strike price (CHF)	95.00
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	172,927
Of which granted to Executive Management	29,250
Of which granted to other employees	143,677
Spot price at grant (CHF)	84.50
Volatility	35.89%
Fair value per option (average of all tranches) (CHF)	12.00
Of which:	
Tranche 1	12.42
Tranche 2	12.08
Tranche 3	11.50

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

16 Equity (continued)

16.2 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								
	16th	17th	18th	19th	20th	21st	22nd	Total	Conditional shares available for exercise
Strike price (CHF)	**30.71**	**25.66**	**25.95**	**34.02**	**68.81**	**49.89**	**95.00**		
Share price as at 31 December 2020 (CHF)	**85.90**	**85.90**	**85.90**	**85.90**	**85.90**	**85.90**	**85.90**		
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**
BALANCE AS AT 1 JANUARY 2020	–	12,712	51,485	138,005	122,960	239,200	–	564,362	960,000
Grants	–	–	–	–	–	–	172,927	172,927	–
Exercises covered by:									
The issue of new shares	–	–	–	–	–	–	–	–	–
Treasury shares	–	(12,515)	(36,628)	(77,888)	(26,657)	(29,470)	–	(183,158)	–
Lapsed/forfeited	–	(197)	(315)	(945)	(634)	(2,013)	–	(4,104)	–
Balance as at 31 December 2020	**–**	**–**	**14,542**	**59,172**	**95,669**	**207,717**	**172,927**	**550,027**	**960,000**
Conditional shares available for exercise									960,000
Less: outstanding stock options									(550,027)
Intermediary balance (including conditional shares)									**409,973**
Number of treasury shares available as at 31 December 2020									513,890
Balance of shares available for future grants									**923,863**

As at 31 December 2020, the 550,027 outstanding options are related to employee stock option plan. This plan is mainly covered by treasury shares.

16 Equity (continued)

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

e Movement (fair value) in stock options

in CHF	Allocation							
	16th	17th	18th	19th	20th	21st	22nd	Total
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**
BALANCE AS AT 1 JANUARY 2020	–	49,070	207,762	724,823	1,234,082	1,382,391	–	3,598,128
Grants	–	–	–	–	–	–	2,075,168	2,075,168
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	–	(48,310)	(147,894)	(408,535)	(267,100)	(163,980)	–	(1,035,819)
Lapsed/forfeited	–	(760)	(1,275)	(4,909)	(6,362)	(11,850)	–	(25,156)
Balance as at 31 December 2020	**–**	**–**	**58,593**	**311,379**	**960,620**	**1,206,561**	**2,075,168**	**4,612,321**

f Strike value of stock options outstanding and movements

in CHF	Allocation							
	16th	17th	18th	19th	20th	21st	22nd	Total
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**
BALANCE AS AT 1 JANUARY 2020	–	326,190	1,336,036	4,694,930	8,460,877	11,933,688	–	26,751,721
Grants	–	–	–	–	–	–	16,428,065	16,428,065
Exercises: new shares	–	–	–	–	–	–	–	–
Exercises: treasury shares	–	(321,135)	(950,497)	(2,649,750)	(1,834,268)	(1,470,258)	–	(7,225,908)
Lapsed/forfeited	–	(5,055)	(8,174)	(32,149)	(43,625)	(100,429)	–	(189,432)
Balance as at 31 December 2020	**–**	**–**	**377,365**	**2,013,031**	**6,582,984**	**10,363,001**	**16,428,065**	**35,764,446**

16 Equity (continued)

16.3 Other reserve

in CHF	FVOCI & FVOCI equities	Defined benefit obligation	Currency translation differences	Total
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)**
BALANCE AS AT 1 JANUARY 2020	93,656	(12,018,919)	(1,743,285)	(13,668,548)
Revaluation of FVOCI & FVOCI equities – gross	1,540,321	–	–	1,540,321
Revaluation of FVOCI & FVOCI equities – tax	(201,242)	–	–	(201,242)
IFRS 9 ECL impairment loss recognised in equity	(8,312)	–	–	(8,312)
IFRS 9 ECL impairment loss income tax effect	1,153	–	–	1,153
Remeasurement of defined benefit obligation – gross	–	(1,959,000)	–	(1,959,000)
Remeasurement of defined benefit obligation – tax	–	254,670	–	254,670
Currency translation differences	–	–	(915,927)	(915,927)
Balance as at 31 December 2020	**1,425,576**	**(13,723,249)**	**(2,659,212)**	**(14,956,885)**

16 Equity (continued)
16.4 Treasury shares

	2020	2019
Beginning of the year (shares)	**469,536**	**452,793**
Purchase	**234,668**	**97,496**
Unit price ranging from CHF	42.45 to 87.90	34.25 to 53.50
Sale	**(2)**	**(16,059)**
Unit price ranging from CHF	41.76 to 41.76	45.35 to 53.46
Remittance to optionees/grant of shares	**(190,312)**	**(64,694)**
Unit price ranging from CHF	25.66 to 84.50	25.66 to 49.15
End of the year (shares)	**513,890**	**469,536**
Total as at 31 December (CHF)	**31,718,631**	**18,787,665**
% of the issued shares	3.35%	3.06%

The balance of 513,890 treasury shares is primarily held for the purpose of covering employees' share and option plans (outstanding options: 550,027). During 2020, the Group granted and allocated for free a total of 7,154 shares (2019: 10,141) to employees (blocked for a 5-year period) and Board members (blocked for a 3-year period).

16.5 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	2020	2019	2018	2017	2016
Dividend per share	1.50[1]	1.00	1.00	0.86	0.13
Other payout per share	0.00	0.00	0.00	0.04	0.47

[1] Proposal of the Board of Directors.

17 Net fee and commission income

in CHF	2020	2019
Brokerage and related income	147,321,808	72,586,436
Custody and account fees	15,769,104	13,086,655
Other commission income	11,202,666	11,584,026
Advertising and subscription fees	6,097,637	5,500,343
Total fee and commission income	**180,391,215**	**102,757,460**
Fee and commission expenses	(18,403,697)	(9,842,438)
Total net fee and commission income	**161,987,518**	**92,915,022**

Net fee and commission income includes an amount of CHF 16.0 million (2019: CHF 6.3 million) relating to crypto assets 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 15.8 million (2019: CHF 13.1 million) and advertising and subscription fees of CHF 6.1 million (2019: CHF 5.5 million) are primarily recognised over time. The remaining balance (brokerage and related income, other commission income) mainly consists of services rendered at a point in time.

18 Net interest income

in CHF	Activities excluding FX swaps	FX swaps	2020	2019
Interest income				
Investment securities	5,361,294	–	5,361,294	3,028,247
Loans and due to customers	13,139,448	–	13,139,448	10,374,919
Due from banks	5,777,042	–	5,777,042	6,761,803
Others	947,666	–	947,666	1,311,290
Total interest income	**25,225,450**	**–**	**25,225,450**	**21,476,259**
Interest expense				
Cash and balances with central bank, treasury bills and loans	(3,610,947)	(13,560,320)	(17,171,267)	(23,576,209)
Due to banks and due from banks	(3,496,855)	–	(3,496,855)	(2,830,420)
Investment securities	(1,310,695)	–	(1,310,695)	–
Due to customers and others	(942,066)	–	(942,066)	(3,803,519)
Total interest expense	**(9,360,563)**	**(13,560,320)**	**(22,920,883)**	**(30,210,148)**
Other interest income				
Derivative financial instruments	–	19,294,786	19,294,786	39,714,064
Total other interest income	**–**	**19,294,786**	**19,294,786**	**39,714,064**
Other interest expense				
Derivative financial instruments	–	(640,955)	(640,955)	(433,696)
Total other interest expense	**–**	**(640,955)**	**(640,955)**	**(433,696)**
Total net interest income	**15,864,887**	**5,093,511**	**20,958,398**	**30,546,479**

As at 31 December 2020, negative interest impact is as follows:

in CHF	2020	2019
Negative interest on liabilities	2,889,295	1,476,836
Negative interest on assets	(21,181,360)	(26,019,764)
Total	**(18,292,065)**	**(24,542,928)**
Cost of negative interest rates (excluding FX swaps)	(4,731,745)	(9,547,343)

FX swaps are derivative 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.

19 Net trading income

in CHF	2020	2019
Foreign exchange revenues:		
From leveraged forex	107,343,380	85,508,887
From other foreign exchange income	50,212,689	23,057,637
Unrealised fair value gains/(losses):		
From trading assets	185,615	231,010
From others	22,071	78,000
Realised gains/(losses):		
From trading assets and investment securities	627,622	17,673
Net trading income	**158,391,377**	**108,893,207**

Disaggregation of revenues: of the total balance of net trading income of CHF 158.4 million, CHF 107.3 million was 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.

20 Credit loss expense

The spread of COVID-19 profoundly affected stock markets and equity markets suffered steep declines several times during the first months of 2020. In the same period, the Group experienced non-expected credit losses from clients trading leveraged products and entering into deficit (transfer from stage 1 to stage 3). In 2020, credit loss expense recognised in the income statement amounted CHF 24.0 million (2019: CHF 1.7 million).

21 Operating expenses

in CHF	2020	2019
Payroll and related expenses	104,913,880	84,211,693
Other operating expenses	48,331,777	40,908,375
Marketing expenses	22,827,670	23,408,499
Depreciation and amortisation	29,082,244	26,056,862
Provisions	6,512,229	5,466,810
Total	**211,667,800**	**180,052,239**

Payroll and related expenses consist of:

in CHF	2020	2019
Wages and salaries	104,999,311	85,530,140
Social security costs	8,177,387	7,008,909
Pension costs (defined benefit and defined contribution)	6,174,792	4,747,203
Subtotal	**119,351,490**	**97,286,252**
Less: capitalised costs	(14,437,610)	(13,074,559)
Total	**104,913,880**	**84,211,693**
Headcount (FTE) - year end average	763	692

With the development of international activities of the Group, wages and salaries comprise a balance of CHF 13.0 million, which is not subject to Swiss social security (2019: CHF 11.4 million).

For pension costs, reference is made to Note 15 as defined benefit costs are influenced by the result of actuarial analysis.

The capitalised costs relate to internally generated computer software capitalised according to IAS 38 (Note 8).

22 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.

	2020	2019
Weighted average number of ordinary shares in issue	14,863,811	14,865,039
Net profit (CHF)	91,020,781	44,653,645
Earnings per share (CHF)	**6.12**	**3.00**

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.

	2020	2019
Weighted average number of ordinary shares	14,863,811	14,865,039
Adjustments for share options	97,810	50,838
Weighted average number of ordinary shares for diluted earnings per share options	14,961,621	14,915,877
Net profit (CHF)	91,020,781	44,653,645
Diluted earnings per share (CHF)	**6.08**	**2.99**

23 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	2020	2019
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	6,316,372	5,428,078
Post-employment benefits	685,126	776,109
Total	**7,001,498**	**6,204,187**
Of which:		
Share-based payment (market value)	**482,252**	**362,223**
Loans	17,437,523	7,620,766
Due to customers	2,460,133	10,236,125
Interest income	260,330	80,530
Interest expense	1,661	3,147

Related-party transactions are made on an arm's-length basis. Interest rate on Lombard loans and similar loans is based on a reference interest rate plus a mark-up. During the year under review, 160,000 shares were purchased from related parties and are included in the treasury shares stock as at 31 December 2020 (reference is made to Note 16).

24 Off-balance sheet commitments

in CHF	2020	2019
Irrevocable commitments		
Loan commitments	31,878,000	28,648,000
Finance lease commitments	1,646,220	–
Total	**33,524,220**	**28,648,000**

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 as an irrevocable commitment under the off-balance sheet transactions.

Finance lease commitments

Finance lease commitments represent unused but firm and irrevocable commitments to grant finance lease credits as at 31 December 2020.

Other off-balance sheet items

Reference is made to Note 25.

25 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 comprise 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	2020	2019
Assets with management/investment advisory mandate	261,388,214	166,248,809
Assets in self-managed collective investments instruments	37,162,810	31,676,308
Total as at 31 December	**298,551,024**	**197,925,117**
Of which double counts	–	–

in CHF	2020	2019
Change attributable to net new money	17,874,322	(1,281,920)
Change attributable to market value	82,751,584	36,801,908
Total change in assets under management	**100,625,906**	**35,519,988**

Client assets

Client assets is a broader term than assets under management under the FINMA definition and comprises 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	2020	2019
Trading assets [1]	38,747,739,979	31,296,471,293
Saving assets	251,126,547	265,516,173
eForex assets	439,737,508	447,022,634
Robo-Advisory assets	334,097,885	231,940,989
Total client assets as at 31 December	**39,772,701,919**	**32,240,951,089**
Assets not deposited with the Group	(1,264,826,209)	(1,057,628,118)
Total assets under custody as at 31 December	**38,507,875,710**	**31,183,322,971**

[1] Of which crypto assets: CHF 1.0 billion (2019: CHF 0.2 billion)

26 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 2020	Number of shares 2019	Number of stock options 2021	2022	2023	2024	2025
SHAREHOLDINGS							
Markus Dennler, Chairman of the Board	31,881	31,465	–	–	–	–	–
Monica Dell'Anna, member of the Board	1,846	1,568	–	–	–	–	–
Martin Naville, member of the Board	11,553	11,275	–	–	–	–	–
Beat Oberlin, member of the Board	3,620	3,342	–	–	–	–	–
Jean-Christophe Pernollet, member of the Board	4,164	3,886	–	–	–	–	–
Former member and closely related persons [1]	–	676,230	–	–	–	–	–
Marc Bürki, CEO	1,813,327	1,889,188	4,347	4,441	4,117	2,916	1,250
Paolo Buzzi, CTO	1,789,383	1,872,663	4,347	4,441	4,117	2,916	1,250
Yvan Cardenas, CFO	320	320	667	3,120	3,583	2,916	1,250
Gilles Chantrier, CRO	340	340	1,200	4,441	4,117	2,916	1,250
Jan De Schepper, CSO	520	220	2,240	3,120	3,583	2,916	1,250
Lino Finini, COO	1,820	1,820	667	2,334	3,583	2,916	1,250
Morgan Lavanchy, CLO	340	340	3,559	4,441	4,117	2,916	1,250
Michael Ploog, CIO	56,374	58,605	4,347	4,441	3,867	2,666	1,000
Closely related persons [2]	51,934	86,542	–	–	–	–	–
Total	**3,767,422**	**4,637,804**	**21,374**	**30,779**	**31,084**	**23,078**	**9,750**

[1] This table no longer states the number of shares held by former members of the Board and former members of the Executive Management in 2020, in line with Art. 663c CO.

[2] 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 2020 and 31 December 2019, 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 2020 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 20 to 113) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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.

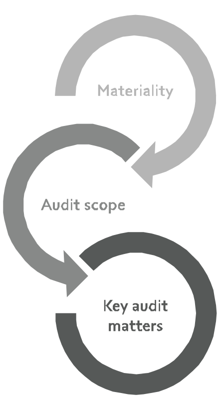
Basis for opinion

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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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 5'270'000

We conducted full scope audit work at Swissquote Group Holding Ltd and Swissquote Bank Ltd both in Gland.

Our audit scope therefore addressed 93% of the Group's total assets and 95% of the Group's operating profit.

As key audit matter the following area of focus has been identified:

- **Goodwill impairment assessment**

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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 5'270'000
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 527'000 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 93% of the Group's total assets and 95% of the Group's operating profit.

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.

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 2020 consolidated financial statements: • Section IV "Summary of significant accounting policies", sub-section I "Intangible assets" on page 36 and sub-section L "Impairment of tangible and intangible assets" on page 38; • Section V "Critical accounting judgements and key sources of estimation uncertainty", sub-section A "Impairment test in respect of goodwill" on page 42; • Section VII "Other notes to the consolidated financial statements", Note **7** "Intangible assets" on pages 87-88.	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 found that the forecasts used in the value in use calculations were consistent with the Board-approved budget, and that the key assumptions were subject to oversight by the members of the Board; • We compared the current year actual results (2020) with the figures included in the prior year's forecast (2019) to consider whether they included assumptions that, with hindsight, may have been optimistic. We found that actual performance was higher than forecast performance; • 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 found the assumptions on the revenue and expense projections to be consistent and in line with our expectations. Similarly, we found the discount rate used by Management consistent with market data and comparable businesses; • We re-performed sensitivity analyses around the key assumptions (revenue growth and expense projections as well as 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. We found that significant headroom remained between the stress-tested value-in-use calculations and the carrying value in the financial statements. 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.

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	Leïla Wütschert
Audit expert Auditor in charge	Audit expert

Lausanne, 17 March 2021

Statutory financial statements

Statutory balance sheet

in CHF	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and banks		249,360	251,068
Receivable from subsidiaries	1	32,399,560	21,531,426
Total current assets		**32,648,920**	**21,782,494**
Investment in subsidiaries	2	174,259,686	171,029,586
Total non-current assets		**174,259,686**	**171,029,586**
Total assets		**206,908,606**	**192,812,080**
LIABILITIES AND EQUITY			
Income tax payable		2,110,097	642,329
Total short-term liabilities		**2,110,097**	**642,329**
Total liabilities		**2,110,097**	**642,329**
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	188,571,649	183,845,398
Net profit		38,420,988	17,587,515
Treasury shares	6	(31,718,631)	(18,787,665)
Total equity		**204,798,509**	**192,169,751**
Total liabilities and equity		**206,908,606**	**192,812,080**

The notes on pages 122 to 125 are an integral part of these financial statements.

Statutory income statement

in CHF	Notes	2020	2019
Royalties		15,880,287	10,723,713
Dividend received from subsidiaries		26,250,000	10,500,000
Other revenues		2,075,168	1,387,049
Operating expenses		(3,471,417)	(4,355,809)
Operating profit		**40,734,038**	**18,254,953**
Income tax expense	7	(2,313,050)	(667,438)
Net profit		**38,420,988**	**17,587,515**

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 2020, the Company did not employ more than 10 full-time equivalents (2019: no changes).

The shares of Swissquote Group Holding Ltd have been 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):

	2020			2019		
	Shares	Options	Total	Shares	Options	Total
Marc Bürki	11.83%	0.11%	**11.94%**	12.32%	0.11%	**12.43%**
Paolo Buzzi	11.67%	0.11%	**11.78%**	12.22%	0.12%	**12.34%**
PostFinance AG	5.00%	–	**5.00%**	5.00%	–	**5.00%**
JPMorgan Chase & Co.	3.43%	–	**3.43%**	<3%	–	**<3%**
Mario Fontana	3.04%	–	**3.04%**	4.41%	–	**4.41%**
Credit Suisse Funds AG	3.01%	–	**3.01%**	<3%	–	**<3%**
Exane Derivatives SNC	<3%	–	**<3%**	3.02%	–	**3.02%**
Treasury shares:						
Swissquote Group Holding Ltd			**3.35%**			**3.06%**

The statutory financial statements were approved for issue by the Board of Directors of the Company on 17 March 2021.

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 ("CO") (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 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 impairment charges.

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 Receivables from subsidiaries

The current balance of CHF 32,399,560 (2019: CHF 21,531,426) is related to cash deposited into a bank account opened with Swissquote Bank Ltd.

2 Investments in subsidiaries

in CHF	Office/country	2020		2019	
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
Swissquote Bank Europe S.A. (formerly Internaxx Bank S.A.)	Luxembourg	100.00%	34,583,730	100.00%	31,353,630
Total as at 31 December			**174,259,686**		**171,029,586**

In August 2020, the Company increased the capital of Swissquote Bank Europe S.A. for an amount of EUR 3.0 million (CHF 3.2 million).

3 Share capital

in CHF	2020	2019
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 5 May 2022 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 2020 and 2019 were as follows:

	Shares					
	2020			2019		
	Number	Market value	Tax value	Number	Market value	Tax value
Members of the Board	**1,528**	**131,255**	**110,204**	**2,701**	**131,053**	**110,036**

Notes to the statutory financial statements

4 Legal capital reserves

Following the reimbursements performed in previous years, the remaining capital contributions balance as at 31 December 2020 is CHF 72,369 (total reserves from capital contributions 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	2020	2019
Retained earnings	183,845,398	183,528,851
Net profit (previous year)	17,587,515	14,407,043
1 January	**201,432,913**	**197,935,894**
Dividend paid on behalf of previous year	(14,899,013)	(14,859,653)
Realised gain/(loss) on treasury shares	2,037,749	769,157
31 December	**188,571,649**	**183,845,398**

6 Treasury shares

in CHF	2020	2019
Beginning of the year (shares)	**469,536**	**452,793**
Purchase	**234,668**	**97,496**
Unit price ranging from CHF	42.45 to 87.90	34.25 to 53.50
Sale	**(2)**	**(16,059)**
Unit price ranging from CHF	41.76 to 41.76	45.35 to 53.46
Remittance to optionees/grant of shares	**(190,312)**	**(64,694)**
Unit price ranging from CHF	25.66 to 84.50	25.66 to 49.15
End of the year (shares)	**513,890**	**469,536**
Total as at 31 December (CHF)	**31,718,631**	**18,787,665**
% of the issued shares	3.35%	3.06%

7 Income tax expense

The increase in income tax expense is not only due to the higher taxable income, but also to the fact that the special tax status for holding companies no longer exists following the introduction of the Federal Act on Tax Reform and AHV Financing ("TRAF") in 2020.

Proposed appropriation of retained earnings

Proposal of the Board of Directors for appropriation of retained earnings as at 31 December 2020

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

in CHF	2020
Net profit for the year	38,420,988
Retained earnings carried forward	188,571,649
Retained earnings available for appropriation	**226,992,637**

ALLOCATION OF AVAILABLE RETAINED EARNINGS	
Available retained earnings as at 31 December 2020	226,992,637
Proposed dividend (CHF 1.50 per share)	(22,992,255)
Retained earnings to be carried forward	**204,000,382**

Amount of proposed dividend is based on the number of shares issued as at 31 December 2020. 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 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 120 to 126) as at 31 December 2020 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 2'000'000
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 200'000 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.

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	Leïla Wütschert
Audit expert Auditor in charge	Audit expert

Lausanne, 17 March 2021

CORPO-RATE GOVERN-ANCE REPORT

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.

Key elements of 2020

From a corporate governance perspective, stability has been a defining feature of the 2020 financial year, be it with respect to the composition of the Board of Directors (the "Board") or the Executive Management of Swissquote Group Holding Ltd (the "Company") or with respect to the scope and structure of the Group.

The COVID-19 pandemic (the "Pandemic") did not have any significant negative impact on the Group's corporate governance. Since the Group had already adopted a regime of partial home office prior to the Pandemic, it was able, as from February 2020, to easily increase the number of employees working from home, reaching up to 92% of FTE. In 2020, as a result of the Pandemic, the meetings of the Board and of its committees were primarily held over the telephone or via videoconference. At the 2020 annual general meeting ("AGM"), in compliance with the extraordinary measures adopted by the Federal Council in response to the Pandemic, shareholders were not allowed to attend the meeting in person and were instead given the possibility to give written or electronic voting instructions to the Company's independent proxy.

Outlook for the 2021 AGM

Due to the continuing Pandemic, the 2021 AGM will be held in the same form as the 2020 AGM. Pursuant to Art. 27 of the Federal Council's Ordinance Nr. 3 on the Measures to Combat the Coronavirus, shareholders will not be allowed to attend the meeting personally, but will instead be given the possibility to give written or electronic voting instructions to the Company's independent proxy.

In 2020, the Board performed a review of the Company's corporate governance and remuneration policies. As a result thereof, the Board will propose at the 2021 AGM, in addition to items on which shareholders are invited to vote every year, various changes to the Company's Articles of Incorporation (the "AoI") that aim at improving the Company's governance and strengthening shareholders' rights. Details will be available in the invitation to the 2021 AGM.

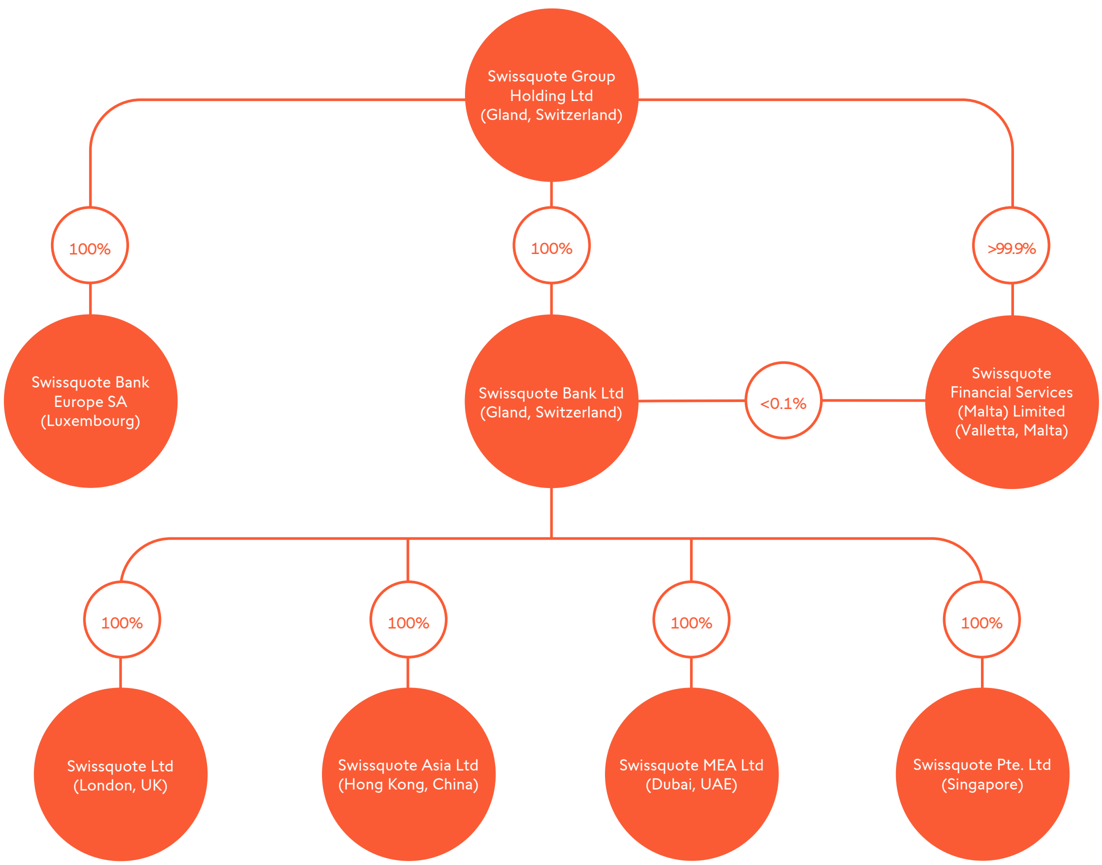
Corporate Governance Report

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 2020:



1.1 Group structure (continued)

The Company is the listed entity of the Group. It was incorporated on 12 August 1999 and has its registered office in Gland, Switzerland. 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 2020, the market capitalisation of the Company amounted to approximately CHF 1,316,690,000. 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 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 was increased on 25 August 2020 from EUR 29,000,000 to EUR 32,000,000 (32,000 – previously 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 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 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 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 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 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 5,500,000 (5,500 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%, $33^{1/3}$%, 50%, or $66^{2/3}$% 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 2020 are as follows:

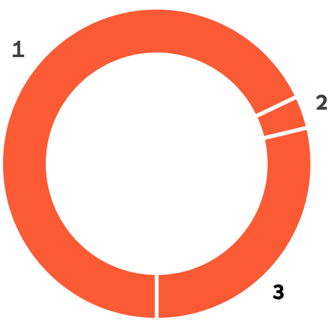
	2020		
	Shares	Options	Total
Marc Bürki	11.83%	0.11%	11.94%
Paolo Buzzi	11.67%	0.11%	11.78%
PostFinance AG	5.00%	–	5.00%
JPMorgan Chase & Co.	3.43%	–	3.43%
Mario Fontana	3.04%	–	3.04%
Credit Suisse Funds AG	3.01%	–	3.01%

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.

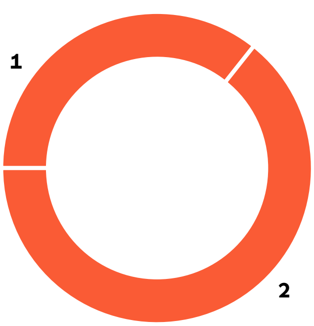
1.2 Significant shareholders (continued)

As at 31 December 2020, 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 10,411,425 and the Company owned 513,890 treasury shares. The distribution of the shareholdings in the Company as of 31 December 2020 is reflected below:



1 Shares registered in the share register (67.9%)
2 Treasury shares (3.4%)
3 Other shares not registered in the share register (28.7%)

Further, the registered shareholders as at 31 December 2020 are broken down as follows:



1 Board members & Executive Management (35.7%)
2 Other registered shareholders (64.3%)

1.3 Cross-shareholdings

There are no cross-shareholdings.

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 2020, the stated 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 513,890 treasury shares. In addition, as at 31 December 2020, the Company had a conditional capital of 960,000 shares with a nominal value of CHF 0.20 each (representing 6.3% of the Company's stated share capital) and an authorised capital of 2,000,000 shares with a nominal value of CHF 0.20 each (representing 13.0% of the Company's stated share capital). The shares that could be issued out of the conditional capital and authorised capital represented in aggregate 19.3% of the Company's share capital.

Under the regulations of SIX Swiss Exchange, individual shareholdings that exceed 5% (save for, inter alia, certain investment funds) are deemed to be permanent investments and must therefore be disregarded for the calculation of the shares' free float. As at 31 December 2020, the free float determined pursuant to the regulations of SIX Swiss Exchange represented 71.5% of the Company's issued shares (2019: 70.5%).

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 5 May 2020 and applicable as at 31 December 2020, 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. 4^{bis} of the AoI on the utilisation of the conditional capital provides that 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. 4^{quater} of the AoI governing the utilisation of the authorised capital provides that the Board is authorised until 5 May 2022 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 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**
As at 1 January 2020	**15,328,170**	**960,000**	**2,000,000**	**18,288,170**
Exercise of employees' stock options	–	–	–	–
Increase/(decrease) in capital	–	–	–	–
As at 31 December 2020	**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 2020, the share capital consisted of 15,328,170 registered shares with a nominal value of CHF 0.20 each. 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 Company may reject a request for entry into the share register within 20 days.

The AoI do not contemplate any explicit exception to the principle according to which only persons who declare holding their shares in their own name and for their own account can be registered as shareholders with voting rights. There is consequently no explicit exemption allowing nominee shareholders to be registered with voting rights and no such exceptions were granted in 2020.

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. Art. 16 Para. 1 of the AoI provides that the Board must be composed of a minimum of three members. As at 31 December 2020, the Board consisted of five members, all non-executive and considered independent. They were all re-elected at the AGM of 5 May 2020.

3.1 Members of the Board of Directors

MARKUS DENNLER
(1956 / Swiss national / domiciled in Switzerland / non-executive / independent)

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 (since 2006), 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 2019), Swissquote Group Holding Ltd
Since 2005	Chairman (since 2019), Swissquote Bank Ltd
Since 2006	Chairman (since 2012), Allianz Suisse Versicherungs-Gesellschaft AG and Allianz Suisse Lebensversicherungs-Gesellschaft AG

Markus Dennler did not hold any official functions or political posts in 2020. 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 / non-executive / independent)
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
Since 2020	CEO, The Adecco Group Switzerland and Austria

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 did not hold any official functions or political posts in 2020. 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 / non-executive / independent)
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 did not hold any official functions or political posts in 2020. 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 / non-executive / independent)
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	Chairman of the Board (since 2020), University of Basel
Since 2020	Chairman of the Board, urb-x AG

Beat Oberlin did not hold any official functions or political posts in 2020. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

JEAN-CHRISTOPHE PERNOLLET
(1966 / French national / domiciled in Switzerland / non-executive / independent)
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 Senior Manager (since 1998), Audit, New York 1999–2010 Partner and Business Unit Leader (since 2001), Audit, Geneva
2010–2012	EFG International AG, Chief Financial Officer
Since 2012	Edmond de Rothschild, Switzerland: 2012–2015 Group Chief Financial Officer, then Chief Audit Executive Since 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 did not hold any official functions or political posts in 2020. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

3.2 Other activities and vested interests

None of the Board members undertakes activities or has 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 Group, which must be registered with the Swiss Commercial Register or a comparable foreign register, is limited for members of the Board to fifteen 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 Summary of external mandates

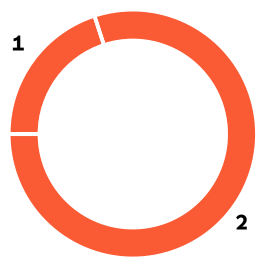
The table below summarises the mandates that each Board member was assuming in superior governing or administrative bodies of legal entities outside of the Group as at 31 December 2020:

BOARD MEMBERS 2020	Current mandates in listed companies	Current mandates in non-listed companies	Current mandates in associations, foundations or other organisations
Markus Dennler, Chairman	None	- Chairman, Allianz Suisse Versicherungs-Gesellschaft AG - Chairman, Allianz Suisse Lebensversicherungs-Gesellschaft AG	- Honorary Councillor, British Swiss Chamber of Commerce
Monica Dell'Anna	None	- CEO, The Adecco Group Switzerland and Austria (via employment at Adecco Professional SA and Adecco Ressources Humaines SA)	None
Martin Naville	None	- Chairman, Zoo Zurich Inc.	- CEO, Swiss-American Chamber of Commerce
Beat Oberlin	None	- Vice President of the Board, St. Clara Spital Group - Chairman of the Board, urb-x AG	- Chairman of the Board, University of Basel
Jean-Christophe Pernollet	None	- Group Chief Risk Officer, Edmond de Rothschild (including various mandates in the same group)	None
Maximum permitted mandates	**4**		**5**
	15 (listed and non-listed companies)		

3.5 Diversity and skills

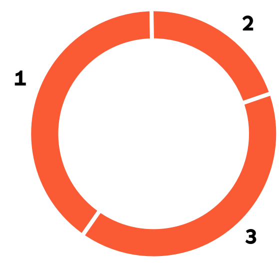
The charts below present the composition of the Board by gender, tenure, nationality and skills:

Gender



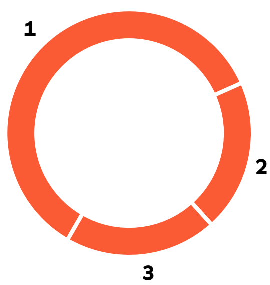
1 Female (20%)
2 Male (80%)

Tenure



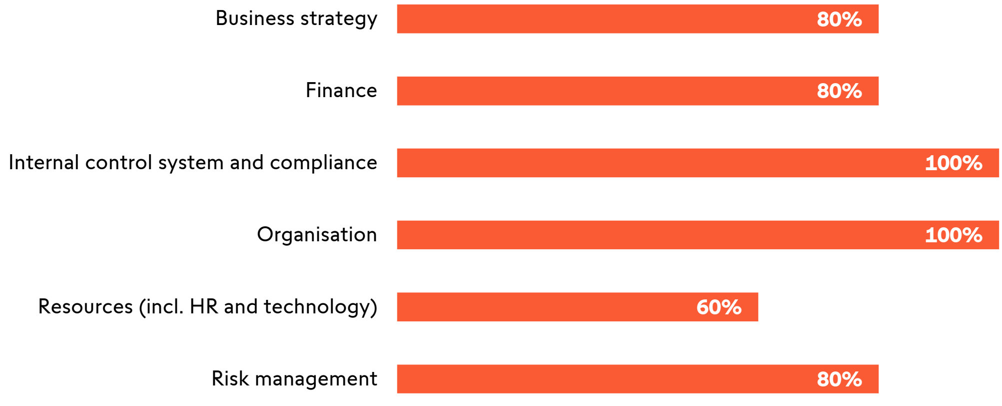
1 0-5 years (40%)
2 5-10 years (20%)
3 10+ years (40%)

Nationality



1 Swiss (60%)
2 Swiss and Italian (20%)
3 French (20%)

Skills



3.6 Elections and terms of office

The Board must have a minimum of three members elected at the General Meeting. 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 AGM. 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 AGM until the end of the following AGM.

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.

3.7 Internal organisational structure

3.7.1 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 to ensure 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; and
- 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 AGM, 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’ function is to make recommendations to the Board on specific matters. In 2020, 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. The Board has also delegated some of its powers to its Chair.

3.7.1 Generalities (continued)
The Board meets as often as required, but at least four times a year. The Board and its 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 2020, the Board met thirteen times (one physical meeting and twelve (video-)conference calls), out of which one meeting was the so-called Annual Conference on Risks (see Section 3.10). Meetings, either physical or via (video-) conference calls, lasted in average for two hours and fifteen 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.

3.7.2 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 members of the Board's committees, other than the Nomination & Remuneration Committee which are appointed by the AGM, and their respective chairs;
– 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;
– Recommend to the General Meeting the nomination, renewal or dismissal of the auditors and decide on the nomination, renewal or dismissal 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.

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

– Chair the meetings of the Board and the General Meeting;
– 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; and
– Represent the Board vis-à-vis the public at large, public officials and the shareholders.

3.7.4 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 quorums and decisions, reference is made to the AoI (in particular Art. 17).

3.7.5 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 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 2020, it met five times (one physical meeting and four (video-)conference calls). The physical meeting lasted for three hours and (video-)conference calls lasted on average for two hours and 30 minutes. At each meeting held in 2020, 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 external and internal auditors were present at the physical meeting (via telecommunication means) and at the four (video-)conference calls. No external counsels attended the meetings.

3.7.6 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 2020, it met five times (one physical meeting and four (video-)conference calls). The physical meeting lasted one hour and (video-)conference calls lasted on average 30 minutes. At each meeting held in 2020, 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.

3.8 Board and committee meetings

The table below summarises the number of meetings that the Board and each of its committees held in the course of 2020, as well as the Board (or committee) members having attended such meetings:

NUMBER OF BOARD AND COMMITTEE MEETINGS AND ATTENDANCE	Board of Directors	Audit & Risk Committee	Nomination & Remuneration Committee
Markus Dennler, Chairman	13		
Monica Dell'Anna	13		5
Martin Naville	13	5	
Beat Oberlin	13		5
Jean-Christophe Pernollet	13	5	
Total number of meetings, 2020	**13**	**5**	**5**

The above table only reflects the participation in a committee of a Board member when the latter is a member of such committee. Board members that are not members of a committee participate as guests in all or most meetings of such committee.

3.9 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 in accordance with Art. 20 of the AoI. 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 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 2020	Functions and Group entities
Marc Bürki, CEO	Dubai / Hong Kong / London / Luxembourg / Singapore
Paolo Buzzi, CTO	Malta / 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 Resources / 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.

3.10 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 the Annual Conference on Risks, a conference dedicated to an in-depth review of the risks, internal control systems and risk management processes. 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 of the Board. Further, the Executive Management must immediately report to the Board material matters outside the ordinary course of business.

The Board and its committees may invite the Executive Management in corpore or some of its members to some or all of their 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.).

The risk review process is part of the Company's strategic and organisational framework and, as a result, part of the Company's day-to-day activities. The Annual Conference on Risks is an important tool of the Board to undergo an in-depth review of the Company's risks, internal control systems and risk management processes. Based on the findings of the risk review process, the Board makes the necessary decisions, in particular in terms of limits and risk appetite.

4 Executive Management

4.1 Members of the Executive Management

As at 31 December 2020, the Executive Management consisted of eight members.

MEMBERS OF THE EXECUTIVE MANAGEMENT 2020	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 and Italian	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 2020.

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

Past Board Mandates

2012–2020	Member of the Board, Swissquote MEA Ltd, Dubai, UAE

Current Board Mandates

Since 2002	Chairman of the Board, Swissquote Trade Ltd, Gland, Switzerland
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 Ltd, 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
Since 2020	Finance Officer, Swissquote MEA Ltd, Dubai, UAE

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 – BSc 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

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 and Italian 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	

Past Board Mandates

2012–2020	Vice Chairman of the Board, Swissquote MEA Ltd, Dubai, UAE

Current Board Mandates

Since 1999	Member of the Board, Swissquote Trade Ltd, Gland, Switzerland
Since 2010	Chairman, Foundation Swissquote 3rd Pillar

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 undertakes activities or has 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 Summary of external mandates

The table below summarises the mandates held in superior governing or administrative bodies of legal entities outside of the Group that each Executive Management member was assuming as at 31 December 2020:

<table>
<tr><th>MEMBERS OF THE EXECUTIVE MANAGEMENT 2020</th><th>Current mandates in listed companies</th><th>Current mandates in non-listed companies</th><th>Current mandates in associations, foundations or other organisations</th></tr>
<tr><td>Marc Bürki, CEO</td><td>None</td><td>None</td><td>- Member of the Board, ETH Domain, Bern</td></tr>
<tr><td>Paolo Buzzi, CTO</td><td>None</td><td>- Member of the Board, Net-Guardians, Yverdon-les-Bains</td><td>- Member of the Strategic Advisory Board, EPFL</td></tr>
<tr><td>Yvan Cardenas, CFO</td><td>None</td><td>None</td><td>- Member of the Committee, EXPERTsuisse - Section Vaud
- Member of the Tax Commission, Chambre vaudoise du commerce et de l'industrie
- Member of the Board of the Social Insurances Committee AVS/AI/APG/AG, Chambre vaudoise du commerce et de l'industrie</td></tr>
<tr><td>Gilles Chantrier, CRO</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Jan De Schepper, CSO</td><td>None</td><td>None</td><td>- Member of the Board, SWA/ASA - National Advertiser Association, Zurich</td></tr>
<tr><td>Lino Finini, COO</td><td>None</td><td>None</td><td>- Member of the Board, Groupement Hospitalier de l'Ouest Lémanique (GHOL), Nyon</td></tr>
<tr><td>Morgan Lavanchy, CLO</td><td>None</td><td>None</td><td>- Member of the Executive Committee, Capital Markets and Technology Association</td></tr>
<tr><td>Michael Ploog, CIO</td><td>None</td><td>None</td><td>- Member of the Selection Committee, FIT - Fondation pour l'Innovation Technologique</td></tr>
<tr><td rowspan="2">Maximum permitted mandates</td><td>1</td><td></td><td>5</td></tr>
<tr><td colspan="2">4</td><td></td></tr>
</table>

4.5 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, 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 Company's independent proxy, whose term of office ends at the next AGM. 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. 14bis 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 Company's 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 Meetings

The General Meetings are 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 an extraordinary General Meeting ("EGM") 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 EGM, 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 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 AGMs, 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 5 May 2020. 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 2020 are analysed as follows:

in CHF	2020	2019
Audit fees	992,555	920,767
Additional fees:		
Tax advice	65,000	55,000
Legal advice	13,893	–
Total	**1,071,448**	**975,767**

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 2020, audit fees increased mostly due to the growth in the Group's size and complexity, resulting in additional audit procedures.

Tax-related additional fees mainly cover the assistance provided to the Group when filing local tax returns.

Legal advice fees relate to services provided by PwC Legal (Luxembourg) to Swissquote Bank Europe SA in relation to employment matters.

8.4 Informational instruments pertaining to the auditors

The auditors closely interact with the Audit & Risk Committee and are invited to its meetings. In 2020, the auditors met five times (via (video-)conference calls) 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 auditors' risk analysis, (ii) the audit focus area and the materiality levels, (iii) the audit of the internal control system in connection with the preparation of the financial statements, (iv) the audit activities, team and fees estimate, (v) the perspective on fraud risks and (vi) the developments in accounting standards and other matters;
– 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 for the Company and Swissquote Bank Ltd 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) information on the materiality level and the audit scope, (iv) any key audit matter identified, (v) a confirmation as to whether an internal control system exists or not and (vi) a confirmation as to whether the proposed appropriation of retained earnings complies with the law and the AoI; and
– Report on the Company's 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, 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 a 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 AGM and of EGMs are published on the Company website (https://en.swissquote.com/company/investors) and in media releases.

The AGM generally takes place in April or May of each year. In 2021, it will be held on 6 May. The Company's half-year report is expected to be published on 6 August 2021.

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.

REMUNE- RATION REPORT

Remuneration Report

Introduction

This Remuneration Report provides information on the remuneration of the Board of Directors (the "Board") and the Executive Management (the "Executive Management") of Swissquote Group Holding Ltd (the "Company") and, where applicable, its consolidated subsidiaries (together, the "Group"). It outlines the Group's remuneration policy and the structure of the remuneration of the members of the Board and Executive Management. It further reports on the nature and amount of the remuneration accrued during the period under review.

Under the Ordinance against Excessive Compensation in Listed Corporations (the "Ordinance"), the Company must establish a Remuneration Report each year in addition to its 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). As required by the Ordinance, Section 4 of this Remuneration Report was audited by the Company's auditors, PricewaterhouseCoopers Ltd; a copy of the audit report is enclosed.

Key elements of 2020 and outlook

The key information relating to remuneration matters for the financial year 2020 is outlined below:

- After several years of strong growth, the Group posted record revenues and profit before taxes in 2020. Such results enabled the Group to meet two years in advance the objectives set for 2022. The Group's digital strategy and capacity to innovate, the broad scope of financial instruments and financial services offered by the Group and the robustness and scalability of the Group's platforms were key factors in achieving such a solid performance in the special circumstances prevailing in 2020. The record results had a positive impact on the assessment of the Executive Management's performance. The circumstances prevailing in 2020, in particular the COVID-19 pandemic, had no influence on the Group's remuneration framework, which did not change compared to the previous years. The Group did not resort to furlough schemes ("réduction de l'horaire de travail" or "RHT") or reduce its workforce, but on the contrary increased its personnel by approx. 11.5%.
- In 2020, the fixed remuneration of the members of the Board did not increase, whilst the aggregate base remuneration of the members of the Executive Management slightly increased as a result of the review of the base remuneration of the members of the Executive Management in January 2020.
- Given the Group's financial results, the performance objectives of the Executive Management were largely over-achieved. This resulted in a cash bonus representing 62% of the base remuneration of each of the Executive Management members. This is significantly higher than the middle of the range for the expected cash bonus when the performance objectives are achieved (25%) and this is close to the effective maximum ratio between the cash bonus and the base remuneration for a member of the Executive Management, which was set at 65% by the Board for the past years.
- The remuneration accrued to the members of the Board and Executive Management during the financial year 2020 were in line with the maximum amounts approved by the general meeting of shareholders (the "General Meeting") for the relevant period.

In 2020, the Board performed a review of the Company's corporate governance and remuneration policies. Further to that review, it resolved to change the contents of its Remuneration Report as follows:

- More information is provided on the Executive Management's performance objectives, their weightings and level of achievement as well as on the stock option plans in which the members of the Executive Management participate. This improved transparency in particular shows that the strike price of the stock options granted to the members of the Executive Management is set by the Board above the market price of the Company's shares at the time of grant. In 2020, the strike price of the stock options granted was set 12.4% above the market price of the Company's shares at the time of grant. The Board considers that this approach guarantees a long-term alignment of the interests of the Executive Management with those of the shareholders.
- Although the Articles of Incorporation of the Company (the "AoI") provide that the Executive Management's short-term variable remuneration (cash bonus) may represent up to 150% of its base remuneration, the effective maximum ratio between the aggregate short-term variable remuneration and the base remuneration set by the Board is currently 65%.
- Information is provided on the Executive Management's "target bonus", i.e. the short-term variable remuneration that the members of the Executive Management can expect to receive upon achievement of their respective performance objectives.
- More background is provided as to why the Company has not benchmarked its remuneration policies and practices to a peer group in 2020.

- The clawback provisions that were recently added to the employment terms of the Executive Management are outlined.

In addition, the following provides an outlook for 2021:

- The Board assesses that the Company's stock option plan guarantees a long-term alignment of the interests of the Executive Management with those of the shareholders. In particular, the Board considers that the Company's stock option plan has been an appropriate instrument to foster long-term performance of the Group, which grew significantly and increased its profitability in the past years. The Board, however, acknowledges that few established companies use stock options as part of long-term incentive plans and intends to assess potential alternatives to the current stock option-based plan.
- Throughout 2021, the Board will continue to review the Company's governance and remuneration practices to make sure that they continue to meet investor's expectations, with a particular focus on the transparency and readability of the Company's disclosures.

Remuneration Report

1 Remuneration policy

Remuneration policy is an important part of the Group's governance framework. Its ultimate purpose is to encourage the delivery of sustainable growth and performance to shareholders, create a favourable environment for the development of employees and promote responsible and ethical behaviour vis-à-vis the Group and the community. The remuneration policy is further designed to attract, motivate and retain the most qualified employees, reward achievements as well as medium and long-term performance, with due care to the Group's success and stage of development, and align the interests of the Board and the Executive Management with those of shareholders. Wage fairness and sustainability are also important parts of the Group's remuneration policy. With due care to labour market constraints, the Group seeks to keep the range between the lowest and highest paid employees within sensible ranges.

2 Organisation and powers

2.1 Nomination & Remuneration Committee

In compliance with Art. 20bis Para. 3 of the AoI, the Remuneration Committee has responsibilities in the field of succession planning and nominations, and is therefore named the "Nomination & Remuneration Committee" or "NRC". The current size of the Board justifies that the nomination and remuneration aspects be treated by the same committee. The NRC is governed by Art. 20bis of the AoI, the Organisation Regulations and the Charter of the NRC, acording to which the NRC is composed of at least two members of the Board. The General Meeting individually elects the members of the NRC, whose term of office expires at the end of the annual general meeting ("AGM") that follows their election. Members of the NRC can be re-elected indefinitely.

At the AGM that was held on 5 May 2020, Beat Oberlin and Monica Dell'Anna were re-elected as members of the NRC for a further term of office of one year. The Board further elected Beat Oberlin as the NRC's chairperson.

As per the Charter of the NRC, the NRC meets at least twice a year. In 2020, the NRC met five times (one physical meeting and four (video-)conference calls). The physical meeting lasted for one hour and the conference calls lasted for 30 minutes on average. Beat Oberlin, Monica Dell'Anna and the other Board members attended all meetings. Members of the Executive Management were invited to all meetings, except when their personal situation was discussed. No external advisors attended the meetings.

The Chair of the NRC reports on the activities of the Committee at the following Board meeting or earlier when the circumstances so require. The minutes of the meetings of the NRC are provided to all Board members.

In 2020, the Company did not consult with external advisors with respect to the structuring of remuneration, share ownership or any related matters.

Under the Organisation Regulations and the Charter of the NRC, the NRC does not have a decision-making authority. It advises and makes proposals to the Board on remuneration matters, as well as on questions of succession planning, training and need for external support. The NRC has in particular, the following powers and duties:

Generally:

– Review the Group's remuneration policies and practices, considering in particular its level of development and industry practices, and make sure that these comply with applicable law and regulations.

With respect to the Board:

– Regularly review the size and composition of the Board as well as the level of independence of its members, to ensure compliance with the legal and regulatory requirements, as well as the Company's governance principles (in particular for what regards diversity and sustainability);
– Review annually the remuneration of the Board members; and
– Make recommendations to the Board for what regards the form and amount of remuneration that is to be paid to the Board's chairperson, to the other Board members, as well as to the chairperson and members of each Board committee, in line with the AoI and the resolutions of the General Meeting.

2.1 Nomination & Remuneration Committee (continued)

With respect to the Management:

– Make recommendations to the Board on the policies applicable to the remuneration of the Executive Management and the other members of the Management (together, the "Management");
– Regularly review the employment contracts of the Management and make recommendations on the Management's remuneration level;
– Assist and make recommendations to the Board for the determination and evaluation of the Management's remuneration policies and practices;
– Review the Company's short- and long-term incentive plans and equity based plans and make recommendations to the Board with respect to amendments, suspensions or discontinuations of any 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 Management's succession plan, both in terms of contingency and long-term planning; and
– Prepare proposals to be submitted to the General Meeting pursuant to Art. 14bis of the AoI for what regards the remuneration of the Board and Executive Management, and for the amendments to the provisions of the AoI relating to remuneration.

Further information on the NRC can be found in the AoI (in particular in Art. 14bis and 20bis).

2.2 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 matters relating to remuneration.

The Board, which is composed of non-executive members only, makes its decisions based on the proposals of the NRC. Unless a Board member requests otherwise, the Board decides in one single vote on the Board members' remuneration. Members of the Executive Management do not attend the part of the Board meeting during which their remuneration is decided upon.

2.3 General Meeting

Binding vote on pay

Art. 9 Para. 2, 14bis Para. 1, 21bis and 21ter of the AoI provide for a prospective vote of the shareholders on the maximum aggregate remuneration of the members of the Board and Executive Management. Under these provisions, upon proposal of the Board, shareholders approve at each AGM the maximum aggregate amount of:

– The remuneration payable to the Board for the period until the following AGM; and
– The remuneration payable to the Executive Management for the following financial year.

At the AGM of 5 May 2020, the following maximum aggregate amounts were approved:

– CHF 870,000 for the Board (covering the period running from the AGM of 5 May 2020 to the AGM of 6 May 2021); and
– CHF 6,700,000 for the Executive Management (covering the financial year 2021).

Further information on the binding vote on pay can be found in the AoI, in particular in 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 of the shareholders. The Board intends to sustain this practice.

3 Remuneration components

3.1 Generalities

As at 31 December 2020, 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.

Share component

The Board receives part of its fixed remuneration in shares. With respect to the valuation and blocking period applicable to the shares, reference is made to Section 4.3 of this Remuneration Report.

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 rules applicable to the variable remuneration of the members of the Executive Management. They in particular include the following:

– 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. 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. Stock options are considered long-term remuneration.

Section 3.3 describes the manner in which these rules are applied by the Board.

3.1 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 2020, 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

Since 1999, the Group has been operating a stock option plan in order to encourage long-term participation of eligible employees in the positive development of the Company's stock price.

Subject to applicable laws, the AoI and the decisions of the General Meeting, the Board has authority to determine, at its discretion, the number of options granted and to set their terms. Each option entitles its holder to acquire, upon exercise, one share in the Company. The options are subject to a three-year vesting schedule with 1/3 of the options becoming exercisable on the first, second and third anniversaries of grant. The exercise period for each tranche is two years. Unless the Board (or the body to which the Board has delegated this responsibility) decides otherwise, unvested options are forfeited if their holder leaves the Group, save in case of retirement. In case of change of control, the Board may seek to replace outstanding options by new grants having the equity securities of the acquiring company or another related company as underlying asset, in which case the value of the options granted will be at least equal to the value of the options that they replace. The Board may also decide to accelerate the vesting of outstanding options.

Since 2007 and under ordinary circumstances, the Board has consistently resolved that the maximum number of options that can be granted in a single financial year is determined based on a ratio between the fair value of the relevant options and the Group base remuneration costs, which has been in a range between 1.4% and 3.9% since 2010. The ratio was 3.2% in 2020 (2.5% in 2019). The total number of options granted depends inter alia on the number of eligible employees, the difference between the strike price and the market price at grant and the volatility of the stock price. In 2020, 172,927 options representing a fair value of CHF 2,075,168 (2019: 240,000 options representing a fair value of CHF 1,387,014) were granted to all eligible employees from the middle management to the Executive Management. The size of individual grants depends on the relevant employee's seniority level.

More information on the valuation of stock options is provided in Note 16.2 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.

3.1 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 rules.

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.

3.2 Elements of the remuneration of the members of the Board of Directors

As reflected in the table introducing Section 3.1 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 AGM, 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 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. Since 2015, the Board has each year decided that approx. 18% of its base remuneration be paid in shares. In such a case, it decides on the conditions of the grants, including the valuation of the relevant shares, and any applicable blocking period. The valuation rules and blocking period applied to the shares granted to the Board members under the Board share plan are described in Section 4.3 of this Remuneration Report. 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.

3.3 Elements of the remuneration of the members of the Executive Management

As reflected in the table introducing Section 3.1 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 short-term cash component (bonus);
  - A long-term stock option plan;
- Social insurance contributions made by the Company;
- Pension fund contributions and benefits; and
- 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 fixed 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 reviewed and increased in January 2020.

Variable remuneration

Annual cash bonus (short-term incentive)

The annual cash bonus consists in the short-term performance-based component of the variable remuneration that may be paid to the members of the Executive Management.

At the beginning of each financial year, upon the recommendation of the NRC, the Board sets a list of quantitative and qualitative objectives for such financial year 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; and
- Other objectives.

Each typology may be associated with one or more objectives, with a weighted target. The number and the nature of the objectives may vary from one year to the other at the discretion of the Board. Such objectives are described in Section 6 of this Remuneration Report.

The table below provides indications on the cash bonus (in percentage of the base remuneration) that can be expected in ordinary circumstances depending on the level of achievement of the performance objectives (target bonus):

ACHIEVEMENT	Percentage of the base remuneration
Largely over-achieved	50-65%
Over-achieved	30-50%
Achieved	20-30%
Under-achieved	0-20%
Largely under-achieved	0%

Since members of the Executive Management are not set individual objectives and, therefore, all objectives are collective, the percentage of the base remuneration is, with respect to a specific year, the same for all members of the Executive Management.

For 2020, the Board has set a cap for the cash bonus of the Executive Management members at 65% of their base remuneration. This cap is lower than the cap set in Art. 21ter Para. 2 of the AoI, allowing for a cash bonus up to 150% of the base remuneration.

3.3 Elements of the remuneration of the members of the Executive Management (continued)

Stock option plan (long-term incentive)

The Board considers that the Company's stock option plan guarantees a long-term alignment of the interests of the Executive Management with those of the shareholders, in particular in light of the growth strategy pursued by the Board.

Since 2019, the Executive Management's long-term incentive plan exclusively consisted of stock options granted under the stock option plan described in Section 3.1 above. Each member of the Executive Management receives the same number of stock options, at the same terms.

The number of stock options granted is determined in accordance with the principles described in Section 3.1. In 2020, the number of options granted to the Executive Management was 29,250 (2019: 40,000) representing 16.9% (2019: 16.7%) of the total options granted under the plan to all eligible employees of the Company.

The strike price of the options is set by the Board at a level that is above the applicable share price at the time of grant. The rationale is that Executive Management members (and all other optionees) are rewarded only if the share price increases above the strike price within the exercise period. In 2020, the strike price of the stock options granted was set 12.4% above the market price of the Company's shares at the time of grant (2019: 16.1%).

The Company aims that existing shareholders are not being diluted as a result of the stock option plan. As a result, although the AoI provide for a conditional capital to cover the issuance of shares under the stock option plan of the Company, it has preferred, since 2007, covering the option grants by shares held in treasury rather than using its conditional capital.

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.

Clawback

In order to strengthen its corporate governance and remuneration frameworks, the Company has implemented a clawback policy on the performance-based remuneration paid to members of the Executive Management. Under this policy, the Company is entitled to seek re-payment of some or all of the performance-based remuneration received by a member of the Executive Management over a period of up to three years in the event of a material restatement of the Company's financial statements, accounting issue or breach of duty. Under the policy, instead of seeking reimbursement of performance-based remuneration, the Company may also declare a member of the Executive Management ineligible to additional performance-based compensation for a certain period.

3.4 Benchmark

As a growth company, it is essential for the Company to be in a position to attract, grow and retain the talents that are required for its continuous development. From a human resources perspective, the Group is competing with a broad spectrum of companies in its Swiss home market, but also in other countries where the Group has subsidiaries. The sectors in which the Group competes for talents include financial services and fintechs, but also, and more generally, all industries in which advanced development engineers and digitalisation skills are in demand. Whilst the Board reviews the latest developments in remuneration systems in such industries and sectors, the Board has not identified specific companies considered to be relevant enough for benchmarking purposes.

The Board notes that, to date, the Company was able to attract, grow and retain the right talents and that there has not been any turnover at the level of the Executive Management. Conversely, the remuneration of the Executive Management appears to be perceived as reasonable by the shareholders, considering, inter alia, that the General Meeting has, since the entry into force of the Minder Ordinance, always approved with a large majority the proposals of the Board with respect to the maximum aggregate remuneration of the Executive Management. The Board remains vigilant with respect to the needs to adapt the Company’s remuneration systems and the remuneration offered with the aim of contributing to the achievement of the Company’s growth objectives.

4 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.

4.1 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 2020 and 2019. 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 2020					
Markus Dennler, Chairman	150,000	30,004	16,209	2,000	198,213
Monica Dell'Anna, member	100,000	20,050	10,932	2,000	132,982
Martin Naville, member	100,000	20,050	10,932	2,000	132,982
Beat Oberlin, member	100,000	20,050	9,322	2,000	131,372
Jean-Christophe Pernollet, member	100,000	20,050	10,932	2,000	132,982
Subtotal	**550,000**	**110,204**	**58,327**	**10,000**	**728,531**
Difference between tax value and IFRS fair value of shares granted to the Board					21,051
Total remuneration 2020					**749,582**

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 4.3.

No remuneration was paid, and no credit or loan was granted, to former Board members. In 2020, 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.

4.1 Remuneration of the members of the Board of Directors (continued)

in CHF	Base remuneration 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 4.3.

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. 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 2019 to 2020

The total remuneration decreased from CHF 799,926 to CHF 749,582. This decrease of 6.3% results from the decrease in the number of Board members.

More specifically, the total base remuneration in cash decreased from CHF 594,430 to CHF 550,000, representing a decrease of 7.5% and the shares' total tax value slightly increased from CHF 110,036 to CHF 110,204, representing an increase of 0.2%. Further, the total social insurance contributions and pension fund contributions and benefits decreased from CHF 63,721 to CHF 58,327, representing a decrease of 8.5% and the other remuneration decreased from CHF 10,722 to CHF 10,000, representing a decrease of 6.7%.

4.2 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 2020						
Marc Bürki, CEO (highest paid)	520,000	322,400	45,000	97,377	21,600	1,006,377
Aggregate of all members of the Executive Management	**3,167,667**	**1,963,953**	**350,997**	**626,799**	**142,500**	**6,251,916**

In 2020, the aggregate short-term performance-based remuneration of the Executive Management (cash bonus) represents CHF 1,963,953 of their aggregate base remuneration. Further, reference is made to Section 6.

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.

4.2 Remuneration of the members of the Executive Management (continued)

in CHF	Base remuneration	Variable remuneration				
	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-based remuneration of the Executive Management (cash bonus) represents 43.4% 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 2019 to 2020

The total base remuneration slightly increased from CHF 3,015,000 to CHF 3,167,667, representing an increase of 5.1%, as a result of the review of the base remuneration of the members of the Executive Management in January 2020.

The total cash bonus increased from CHF 1,307,103 to CHF 1,963,953, representing an increase of 50.3%, which reflects the level of achievement of the objectives set to the Executive Management for 2020. Reference is made to Section 6 for further information.

Neither in 2019 nor in 2020 were shares granted to the members of the Executive Management. Compared to 2019, the fair value of the stock options granted increased from CHF 231,170 to CHF 350,997, representing an increase of 51.8%.

The total social insurance contributions and pension fund contributions and benefits decreased from CHF 712,388 to CHF 626,799, representing a total decrease of 12.0%. This results from the payment of one-off social insurance contributions in 2019.

The other remuneration slightly increased from CHF 138,600 to CHF 142,500, representing an increase of 2.8%.

Overall total remuneration increased from CHF 5,404,261 to CHF 6,251,916, representing a total increase of 15.7% which mainly reflects the level of achievement of the objectives set to the Executive Management members for 2020.

4.3 Valuation principles

The cash bonus accrues in the financial year under review and is payable in the following financial year. It is therefore 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 2020 was CHF 85.9. The market price of the shares granted to the Board in 2019 was CHF 48.5. 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 2020 are blocked for three years from their grant date and their tax value amounts to CHF 72.1 per share. This tax value represents the market price of the share on grant date (i.e. CHF 85.9) discounted by 16.0%.

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%.

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 share in the Company (ratio 1:1). For the financial year 2020, the fair value amounts to CHF 12.0 on average per option on grant date. For the financial year 2019, the fair value amounts to CHF 5.8 on average per option on grant date.

4.4 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 2020 with current and former members of the Board and of the Executive Management. All loans were granted at market conditions.

in CHF	2020	2019
MEMBERS OF THE BOARD		
Markus Dennler, Chairman	–	–
Monica Dell'Anna, member	–	–
Martin Naville, member	–	–
Beat Oberlin, member	–	–
Jean-Christophe Pernollet, member	–	–
Closely related persons	–	–
Former members	–	–
Total as at 31 December	**–**	**–**

in CHF	2020	2019
MEMBERS OF THE EXECUTIVE MANAGEMENT		
Marc Bürki, CEO	7,580,434	5,025,420
Paolo Buzzi, CTO	8,060,708	1,977,789
Yvan Cardenas, CFO	–	–
Gilles Chantrier, CRO	–	–
Jan De Schepper, CSO	–	–
Lino Finini, COO	–	–
Morgan Lavanchy, CLO	–	–
Michael Ploog, CIO	–	–
Closely related persons	1,796,381	617,557
Former members	–	–
Total as at 31 December	**17,437,523**	**7,620,766**

5 Reconciliation of remuneration with the approval of the General Meeting

At the AGM 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 AGM of 10 May 2019 until the completion of the AGM of 5 May 2020. The total amount of remuneration paid out for this period was CHF 729,194, which is in line with what was approved at the AGM of 10 May 2019. 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 AGM of 5 May 2020, the shareholders approved a maximum aggregate remuneration of the Board amounting to CHF 870,000 for the period of office from the AGM of 5 May 2020 until the completion of the AGM of 6 May 2021. 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 AGM of 5 May 2020. The final amount that will be paid will be disclosed in the 2021 Remuneration Report.

With respect to the remuneration of the Executive Management, the shareholders approved at the AGM of 10 May 2019 a maximum aggregate remuneration of CHF 6,350,000 for the financial year 2020, taking into consideration an Executive Management comprising five members. The total amount of remuneration paid out and accrued for this period was CHF 6,251,916 for the entire Executive Management in 2020, which is in line with what was approved at the AGM of 10 May 2019.

At the AGM of 5 May 2020, the shareholders approved a maximum aggregate remuneration for the Executive Management amounting to CHF 6,700,000 for the financial year 2021. 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 AGM of 5 May 2020. The final amount that will be paid and accrued will be disclosed in the 2021 Remuneration Report.

6 "Pay for Performance" appraisal for the financial year under review

As described in Section 3.3, the Board sets, at the beginning of each financial year, a list of quantitative and qualitative objectives to the Executive Management for the cash component of their variable remuneration. These objectives are set to the Executive Management as a whole, rather than on an individual basis. The table below describes the objectives that were set for the financial year 2020, together with their respective weighting and level of achievement, as assessed by the Board upon the NRC's recommendation:

OBJECTIVE TYPE	Detailed objectives	Weighting	Level of achievement
Financial objectives	- Meet budget in terms of profit before tax - Meet budget in terms of revenues	65%	Largely over-achieved
Growth, defensive/conservation and other objectives	Includes various objectives, such as: - the consolidation and extension of Swissquote Bank Europe SA's activities - the launch of new services such as leasing operations - the development of neo-bank services - the meeting of high standards in terms of compliance and reputation - the preparation of an ESG report according to high standards	35%	Achieved

Overall, the Board assessed that the objectives were largely over-achieved and set the cash bonus for the members of the Executive Management to the upper range of the maximum short-term variable remuneration, i.e. 62% of each of the Executive Management members' base remuneration. This results, for the financial year 2020, in an aggregate cash bonus for the members of the Executive Management of CHF 1,963,953.

7 Share ownership information

As at 31 December 2020, the number of shares and options held by current Board members, members of the Executive Management and closely related persons, was 3,883,487 or 25.3% of the share capital.

The following tables were produced in accordance with Art. 663c CO and are also available in Note 26 to the consolidated financial statements (Section VII).

7.1 Shareholdings

For the sake of clarity, except for the shares granted as part of the Company's share plan or the Board's remuneration in shares, 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 2020	Number of shares as at 31 December 2019
MEMBERS OF THE BOARD		
Markus Dennler, Chairman	31,881	31,465
Monica Dell'Anna, member	1,846	1,568
Martin Naville, member	11,553	11,275
Beat Oberlin, member	3,620	3,342
Jean-Christophe Pernollet, member	4,164	3,886
Closely related persons	–	–
Total as at 31 December	**53,064**	**51,536**

	Number of shares as at 31 December 2020	Number of shares as at 31 December 2019
MEMBERS OF THE EXECUTIVE MANAGEMENT		
Marc Bürki, CEO	1,813,327	1,889,188
Paolo Buzzi, CTO	1,789,383	1,872,663
Yvan Cardenas, CFO	320	320
Gilles Chantrier, CRO	340	340
Jan De Schepper, CSO	520	220
Lino Finini, COO	1,820	1,820
Morgan Lavanchy, CLO	340	340
Michael Ploog, CIO	56,374	58,605
Closely related persons	51,934	86,542
Total as at 31 December	**3,714,358**	**3,910,038**

In line with Art. 663c CO, this Remuneration Report no longer states the number of shares held by former members of the Board and former members of the Executive Management.

7.2 Options

The table below provides a comprehensive overview of the information on options held by Executive Management members as at 31 December 2020 and which have been granted in 2020 and in past years. In total, this represents 106,134 options, of which 44,220 were exercisable at 31 December 2020 and 61,914 options for which the start of the exercise period is ranging from 2021 to 2023. Outstanding options granted to members of Executive Management prior to their appointment to Executive Management are stated separately and represent 9,931 options. Each option gives the right to acquire one Swissquote share (SQN; ISIN CH0010675863) at the strike price set for each grant. The lock-up period ends one day before the start of the exercise period as indicated in the table.

Grant number	Tranche number	Date of grant	Start of exercise period	Expiry date	Spot price at grant	Mark-up strike to spot price	Strike price	Number of options granted	IFRS fair value per option	Aggregate IFRS fair value of options granted	Total options outstanding as at 31 December 2020	Total options outstanding as at 31 December 2019
17	3	2015/08	2018/08	2020/08	24.92	3.0%	25.66	4,722	3.86	18,228	–	**1,574**
18	2	2016/08	2018/08	2020/08	24.72	5.0%	25.95	4,719	4.05	19,107	–	**3,669**
18	3	2016/08	2019/08	2021/08	24.72	5.0%	25.95	4,722	4.03	19,026	**4,722**	**4,722**
19	1	2017/08	2018/08	2020/08	32.40	5.0%	34.02	7,865	5.19	40,859	–	**5,792**
19	2	2017/08	2019/08	2021/08	32.40	5.0%	34.02	7,865	5.27	41,486	**6,292**	**7,865**
19	3	2017/08	2020/08	2022/08	32.40	5.0%	34.02	7,870	5.26	41,363	**7,870**	**7,870**
20	1	2018/08	2019/08	2021/08	65.53	5.0%	68.81	6,000	9.98	59,860	**6,000**	**6,000**
20	2	2018/08	2020/08	2022/08	65.53	5.0%	68.81	6,000	10.10	60,585	**6,000**	**6,000**
20	3	2018/08	2021/08	2023/08	65.53	5.0%	68.81	6,000	10.04	60,211	**6,000**	**6,000**
21	1	2019/08	2020/08	2022/08	42.96	16.1%	49.89	13,336	5.89	78,574	**13,336**	**13,336**
21	2	2019/08	2021/08	2023/08	42.96	16.1%	49.89	13,336	5.81	77,497	**13,336**	**13,336**
21	3	2019/08	2022/08	2024/08	42.96	16.1%	49.89	13,328	5.63	75,099	**13,328**	**13,328**
22	1	2020/08	2021/08	2023/08	84.50	12.4%	95.00	9,750	12.42	121,084	**9,750**	–
22	2	2020/08	2022/08	2024/08	84.50	12.4%	95.00	9,750	12.08	117,762	**9,750**	–
22	3	2020/08	2023/08	2025/08	84.50	12.4%	95.00	9,750	11.50	112,151	**9,750**	–
Total											**106,134**	**89,492**
- Of which in exercise period as at 31 December											**44,220**	**29,622**
- Of which exercise period not started as at 31 December											**61,914**	**59,870**
Total options granted in 2019								**40,000**		**231,170**		
Total options granted in 2020								**29,250**		**350,997**		
Options granted prior to the appointment to the Executive Management											**9,931**	**17,797**

As reflected in the table above, each grant (in principle one grant per year) is divided in three equal tranches, each having a two-year exercise period, but with a different start. The start of tranche 1 is one year after the date of grant, the start of tranche 2 is two years after the date of grant and the start of tranche 3 is three years after the date of grant. As a result, and for a whole grant, one third of the options become exercisable after one year and one third of the options expire five years after the date of grant.

The table provides for each grant the spot price at grant (which is the market price of the Swissquote share at the time of grant) and the strike price of the grant, i.e. the share price above which the option is in the money. The mark-up of the strike price compared to the spot price is the difference between the strike and the spot prices divided by the spot price. In 2020 the strike price was set 12.4% above the spot price.

7.2 Options (continued)

The above table also provides the total number of options granted to members of the Executive Management for each grant and tranche is provided. The Executive Management members were granted 29,250 options in 2020. The IFRS fair value of each option is determined based on the Black-Scholes formula and takes into account the volatility of the share price at the time of grant, the duration of the options and of the exercise periods. Details are provided in Note 16.2 to the consolidated financial statements (Section VII). The total fair value of options granted to Executive Management members in 2020 is CHF 350,997, which is the amount that is included in the total remuneration of the Executive Management in Section 4.2 of this Remuneration Report.

The total outstanding options is further analysed per member of the Executive Management in the following table:

			Marc Bürki	Paolo Buzzi	Yvan Cardenas	Gilles Chantrier	Jan De Schepper	Lino Finini	Morgan Lavanchy	Michael Ploog		
			CEO	CTO	CFO	CRO	CSO	COO	CLO	CIO		
			Year joining the Executive Management									
			1999	1999	2019	2017	2019	2019	2017	1999		
Grant number	Tranche number	Date of grant	Number of options outstanding as at 31 December 2020								Total options outstanding as at 31 December 2020	Total options outstanding as at 31 December 2019
17	3	2015/08	–	–	–	–	–	–	–	–	–	**1,574**
18	2	2016/08	–	–	–	–	–	–	–	–	–	**3,669**
18	3	2016/08	1,574	1,574	–	–	–	–	–	1,574	**4,722**	**4,722**
19	1	2017/08	–	–	–	–	–	–	–	–	–	**5,792**
19	2	2017/08	1,573	1,573	–	–	–	–	1,573	1,573	**6,292**	**7,865**
19	3	2017/08	1,574	1,574	–	1,574	–	–	1,574	1,574	**7,870**	**7,870**
20	1	2018/08	1,200	1,200	–	1,200	–	–	1,200	1,200	**6,000**	**6,000**
20	2	2018/08	1,200	1,200	–	1,200	–	–	1,200	1,200	**6,000**	**6,000**
20	3	2018/08	1,200	1,200	–	1,200	–	–	1,200	1,200	**6,000**	**6,000**
21	1	2019/08	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	**13,336**	**13,336**
21	2	2019/08	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	**13,336**	**13,336**
21	3	2019/08	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	**13,328**	**13,328**
22	1	2020/08	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,000	**9,750**	–
22	2	2020/08	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,000	**9,750**	–
22	3	2020/08	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,000	**9,750**	–
Total			17,071	17,071	8,750	13,924	8,750	8,750	15,497	16,321	**106,134**	**89,492**
- Of which in exercise period as at 31 December			8,788	8,788	1,667	5,641	1,667	1,667	7,214	8,788	**44,220**	**29,622**
- Of which exercise period not started as at 31 December			8,283	8,283	7,083	8,283	7,083	7,083	8,283	7,533	**61,914**	**59,870**
Options granted prior to the appointment to the Executive Management			–	–	2,786	–	4,359	2,000	786	–	**9,931**	**17,797**

Options granted to members of the Executive Management can be exercised during the respective exercise periods, subject to compliance with the Group's policy on insider trading.

In 2020, Executive Management members exercised 20,474 options in aggregate, representing a gross capital gain of CHF 861,417, of which CHF 344,678 relates to options granted to members of the Executive Management prior to their appointment to the Executive Management.

The Group has the obligation to deliver Swissquote shares when optionees exercise stock options. In order to secure its obligations towards optionees, the Company acquires and sells treasury shares. On a cumulative basis and since the listing of the Company in 2000, the Company succeeded in acquiring, selling and delivering treasury shares at such prices and such quantities that, at 31 December 2020, the amount of the coverage of the Company's obligations toward optionees is lower than the remittance value the Company will receive should optionees exercise all options granted and outstanding at 31 December 2020.

8 Approval of the Remuneration Report

This Remuneration Report provides full transparency for the financial year 2020 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 AGM of 6 May 2021 (consultative vote).

9 Remuneration-related provisions of and reference to the Articles of Incorporation

The principles applicable to performance-based pay and to the allocation of equity securities, convertible rights and options are set out in Art. 21^{bis} Para. 2, and 21^{ter} Para. 1 to 3 of the AoI and the additional amount for payments to members of the Executive Management appointed after the vote on pay at the General Meeting are set out in Art. 14^{bis} Para. 6 of the AoI.

The rules on loans, credit facilities and post-employment benefits for members of the Board and Executive Management are set out in Art. 21 Para. 1 and 2 of the AoI.

The vote on pay at the General Meeting is set out in Art. 14^{bis} and 21 Para. 2 of the AoI.

For further information on remuneration matters, reference is made to the AoI last amended on 5 May 2020 and applicable as at 31 December 2020, which are available at https://en.swissquote.com/company/investors in the French original version together with an English free translation.

Report of the statutory auditor to the General Meeting of Swissquote Group Holding Ltd Gland on the Remuneration Report 2020

We have audited the remuneration report of Swissquote Group Holding Ltd for the year ended 31 December 2020. 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 **4** on pages 178 to 183 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 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Beresford Caloia	Leïla Wütschert
Audit expert Auditor in charge	Audit expert

Lausanne, 17 March 2021

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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 the banking book by opposition to the concept of the trading book. The trading book comprises 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 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 of clients' deposits at sight whose interest rate conditions are revised regularly (when appropriate). Regarding the assets side, the 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 2020, interest rate risk relating to the activities of Swissquote Bank Europe 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)

3 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 points 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)

4 Quantitative information

Structure of positions and maturity repricing as of 31 December 2020 (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	872.9	487.5	314.3	0.30	0.23
Due from customers	5.5	5.5	–	0.35	0.35
Financial investments	901.2	452.5	434.7	2.46	2.88
Receivables from interest-rate derivatives [2]	2,383.1	35.3	2,099.1	0.13	0.28
Amounts due in respect of client deposits	(2.1)	–	(2.1)	0.01	–
Payables to interest-rate derivatives [2]	(2,392.9)	(2,260.7)	(90.5)	0.13	0.13
POSITIONS WITH AN UNDEFINED INTEREST RATE RESET DATE					
Due from banks	665.2	312.9	228.6	0.08	0.08
Due from customers	546.0	219.1	292.3	0.08	0.08
Payables on demand from personal accounts and current accounts	(6,268.0)	(2,760.7)	(3,081.1)	–	–
Other payables on demand	(242.4)	(15.6)	(191.5)	–	–
Payables arising from client deposits, terminable but not transferable (savings)	(250.1)	(153.0)	(92.0)	0.08	0.08
Total	**(3,781.6)**	**(3,677.2)**	**(88.1)**	**0.22**	**0.26**

[1] Significant currencies are those that make up more than 10% of assets or liabilities of total assets (i.e. 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).

Given the specificity of its business model, the Group decided to take a conservative approach. Therefore it assumed that the positions with an undefined interest rate reset date behave according to their contractual features and thus assigned a duration close to zero to these positions when applicable. Sight deposits of customers are the most prominent case in point (no modelled interest rate fixation period).

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	5,373.9	(9,155.5)	(3,781.6)
Out of scope of IRRBB disclosure[1]	4,325.8	(159.9)	4,165.9
Adjustments for derivative financial instruments (incl. notional amount)	(2,269.7)	2,325.5	55.8
Total	**7,430.0**	**(6,989.9)**	**440.1**

[1] In accordance with FINMA Circular 2019/2, relevant high-quality liquid assets (HQLA) are not taken into account (e.g. Cash and balances with central banks and debt securities issued by sovereigns with a AAA credit rating).

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

4 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)	
in CHF million	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Parallel shift up	(24.0)	(15.9)	42.6	50.3
Parallel shift down	25.7	17.1	(6.6)	(20.5)
Steepener shock	6.1	5.5	–	–
Flattener shock	(11.0)	(8.6)	–	–
Rise in short-term interest rates	(19.0)	(14.0)	–	–
Fall in short-term interest rates	19.5	14.6	–	–
Maximum	(24.0)	(15.9)	(6.6)	(20.5)
Tier 1 capital	**382.9**	**325.2**		

The quantitative information confirmed that in the context of the business model of the Group, the most adverse scenario was the "parallel shift up" as it resulted in a change of net present value (ΔEVE) of CHF -24.0 million, representing an effect of -6.3% of Tier 1 capital. This effect remained nevertheless below the regulatory threshold of 15.0%.

Supplementary comment: the information disclosed in Table IRRBB1 differs from the Note H3b provided on page 79 with regards to the amount of basis points of interest rate shock, and in respect of the scope of exposure values for the changes in net present value (ΔEVE).

Supplementary regulatory disclosures - interest rate risk in the banking book (unaudited)

4 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 31 December 2019 and 2020 is mainly due to longer maturities in the investment securities (debt securities) and to an increase in the volume of 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 a one-year period. Floating-rate instruments are impacted after an 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. A parallel shift-up scenario may also differ according to commercial policy and competition.

The decrease of changes in the discounted earnings value (ΔNII) between 31 December 2019 and 2020 is partially explained by the increase in the proportion of liabilities that are deposited in cash at central banks (contrary to Cash and balances with central banks that are specifically scoped out, payables to customers 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 landscape.

SUSTAIN-
ABILITY
REPORT

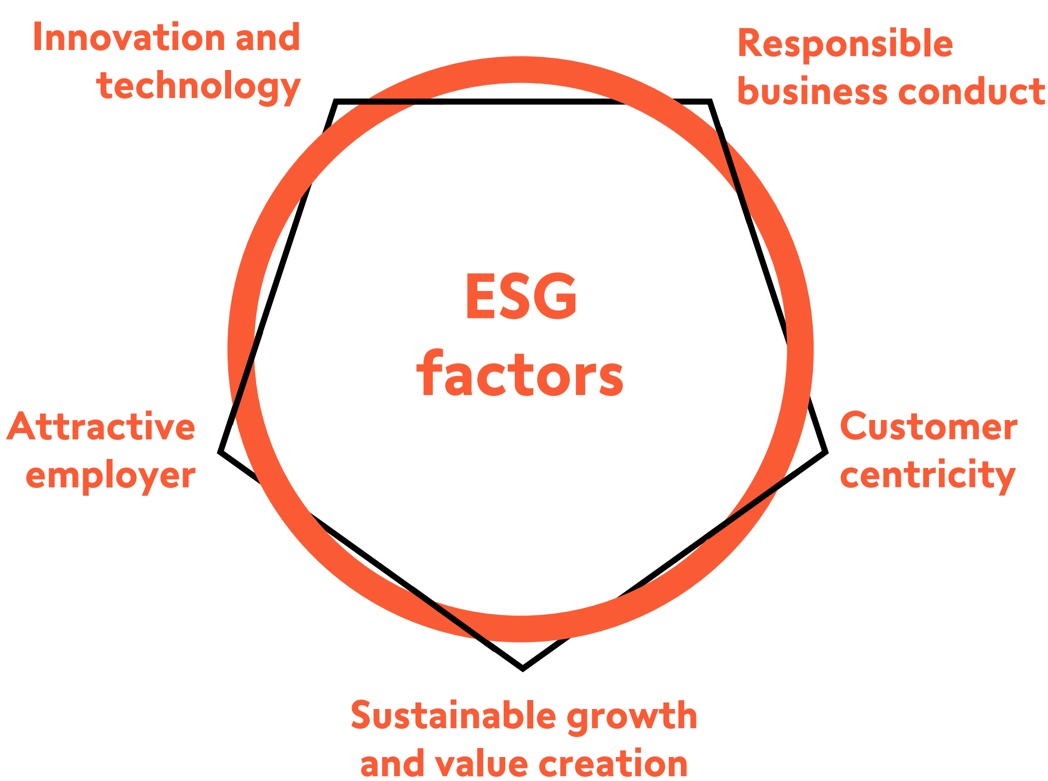
Why we are committed to sustainability

The year 2020 marks the first year for Swissquote to disclose non-financial information, an important milestone for demonstrating our dedication to sustainability in addition to financial performance and corporate governance. While our customers, employees and other stakeholders have benefitted for some time from our commitment, we now publicly provide comprehensive insights into our sustainability approach and performance by employing the Standards of the Global Reporting Initiative (GRI). Along with our conviction of the importance of tracking and reporting environmental, social and governance (ESG) metrics, we embrace the patience and tenacity to persistently and continually seek improvement in our ESG performance and ratings.

OUR UNDERSTANDING OF SUSTAINABILITY

We strive to deliver sustainable value to society, which is why we choose to be as exemplary as possible when it comes to applying environmental, social and governance (ESG) criteria in our strategic decisions and day-to-day activities.

For us, this means that we challenge convention on the delivery of innovation and technology, constantly pioneering new and better ways of banking. We build relationships based on trust, conducting our business responsibly and transparently. We champion our customers by delivering breath-taking products and services, creating a bespoke user experience that enhances and eases banking and investment decision making, and we obsessively and relentlessly learn about our clients' needs, motivations and aspirations. We cherish our employees and work hard to make Swissquote an attractive place to work. Finally, our understanding of sustainability drives us to deliver sustainable growth and create value for all our stakeholders, which includes striving to reduce our environmental footprint.

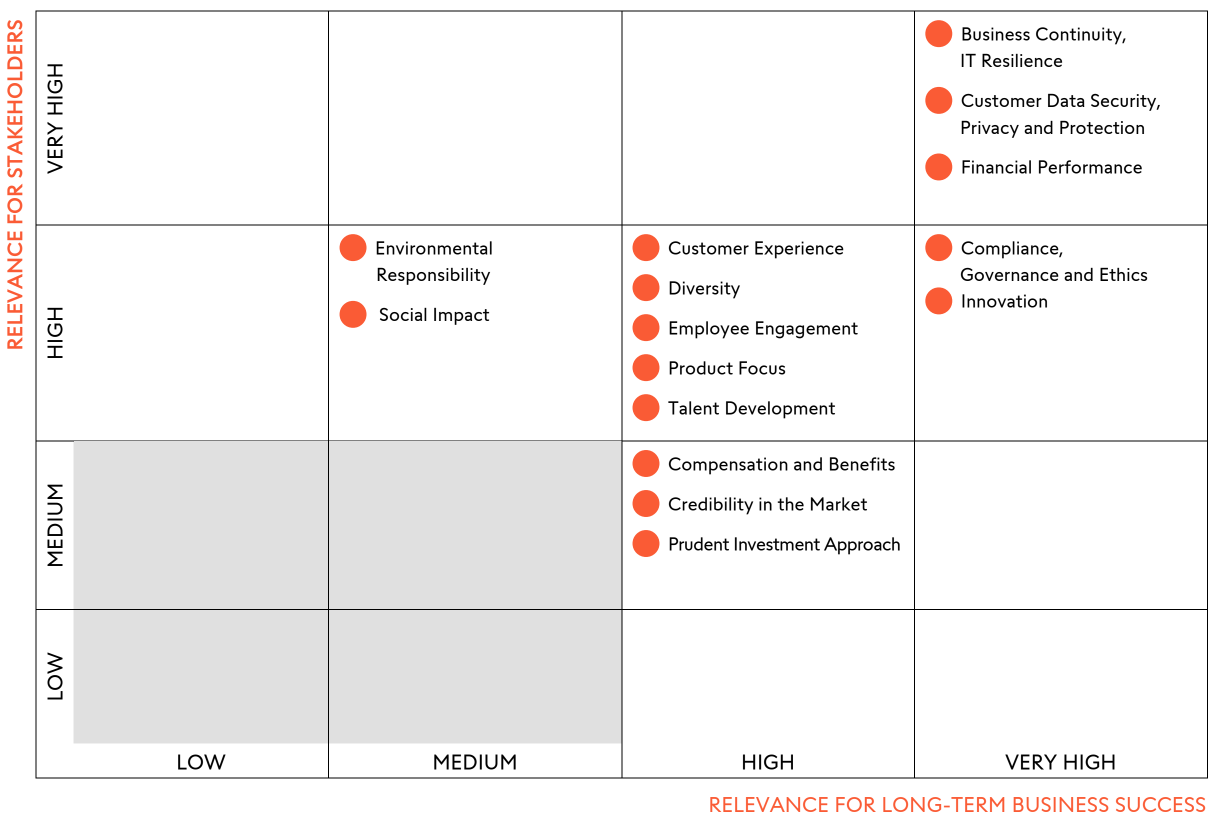


MATERIALITY ASSESSMENT

In 2020, we conducted a materiality assessment to sharpen and prioritise the sustainability topics important to Swissquote and our stakeholders. As a first step, we compiled a list of potentially relevant topics. This was based on the Standards of the Global Reporting Initiative (GRI), the Investment Banking and Brokerage Sustainability Accounting Standards of the Sustainability Accounting Standards Board (SASB), topics of importance to our peers, topics observed by ESG rating agencies such as MSCI ESG and Inrate, and our own established sustainability topics. To create a manageable basis for assessing materiality, we clustered the topics through categorising and grouping. In a second step, we evaluated and prioritised the topics in a workshop with our Chief Financial Officer and representatives from various departments such as Finance, Reporting and Tax, Human Resources, Marketing, Legal and Compliance, and Investor Relations. A draft Materiality Matrix was discussed with a delegation of the Board of Directors. We assessed the materiality of the topics according to the following criteria: relevance for our long-term business success, relevance for our stakeholders' decision making and significance of the impact of our business activities. The materiality assessment was facilitated by an external corporate sustainability consultancy and discussed with an institutional investor specialising in sustainable development. **GRI 102-46**[1]

We identified 15 topics with high and very high relevance that form the basis of our sustainability management and reporting. We are also reporting on how we support communities and address our environmental impact.

Our Materiality Matrix GRI 102-47



[1] Swissquote employs the Standards of the Global Reporting Initiative (GRI) to report on its sustainability performance. References to selected GRI disclosures can be found throughout the report.

STAKEHOLDER ENGAGEMENT

We strive to integrate our stakeholders' perspectives into the core of our business strategy. The materiality assessment helped us formalise our engagement with our most important stakeholders: those who either contribute to the successful business activity of Swissquote or are influenced by our business activity. GRI 102-42

Our Approach to Stakeholder Engagement

Stakeholder Group GRI 102-40	Examples of Stakeholder Engagement GRI 102–43	Key Topics and Concerns Raised GRI 102–44
Clients	– Annual global satisfaction survey – Biannual Net Promoter Score measurement – Additional targeted surveys – Direct point of contact for business and institutional customers – Focus groups – Personal and email communication – Physical and online events	– Safeguarding assets – Expertise of their broker/bank – Pricing – Platform usability and reliability – Time to analyse markets – Understanding market trends to trade successfully – Service/support – Ensuring data privacy and client confidentiality – Independence
Investors	– Biannual financial results presentation – Investor roadshows – Annual General Meeting	– Business growth / Financial performance – Transparent and long-term strategy – Anticipation and management of risks – Reliable, timely, high-quality information
Employees	– Annual engagement survey – Additional selected surveys – Q&A sessions with Executive Management – Department-level discussions – Full Annual Management Meeting	– Fair remuneration – Enjoyable environment – Career planning – Recognition – Work-life balance – Safe workplace
Regulators	– Regulatory reporting – Regular contacts – Engagement in industry associations such as CMTA – Involvement in consultation paper	– Full compliance with applicable laws and regulations – Following best practices – Proactive reporting – Absence of conflict of interests or irreproachable business conduct
Local communities	– Sponsoring of local events – Participating in university and association committees – Giving to charitable organisations	– Paying taxes – Philanthropy – Attractive employer

How we respond to the needs and concerns of our stakeholders is outlined in the following sections.

CLIENTS » Product Focus, Innovation, Customer Experience, Credibility in the Market, Customer Data Security, Privacy and Protection, Business Continuity / IT Resilience

INVESTORS » Financial Performance, Compliance, Governance and Ethics, Prudent Investment Approach

EMPLOYEES » Employee Engagement, Compensation and Benefits, Talent Development, Diversity

REGULATORS » Compliance, Governance and Ethics

LOCAL COMMUNITIES » Social Impact

How we focus on customer centricity

In a competitive and crowded industry, we constantly seek to differentiate and think "client first" to keep Swissquote as the top choice for our customers. At all times, we are our customers' champions.

CUSTOMER EXPERIENCE

To hold our position as one of the leading online banks and keep up our pace of global expansion, we are relentless about understanding our customers' desires, needs and ambitions. By knowing our customers and delivering breath-taking products and customer service, we are building enduring relationships.

The Value of the Customer Experience

How customers experience Swissquote will influence their relationship with us. Will they remain customers? Will they use our services more? Will they enthusiastically recommend us to their contacts? Or will they leave? Perfecting the customer experience is essential to retaining business and inspiring clients to be promoters.

WHERE WE HAVE SET OUR SIGHTS

- **Maintain and increase our Net Promoter Score (NPS®)**
- **Grow our global client satisfaction rating**
- **Achieve a strong service level within our Customer Care department.**

A Look at 2020

The market volatility caused by the COVID-19 pandemic proved to be a challenge to the stability of many trading platforms, including Swissquote, due to unprecedented surges in orders at various times during the year. Our biggest challenge in 2020 was maintaining a seamless operation and order flow through our platform. Despite the volatility of 2020, our customer total assets reached a record level of CHF 39.8 billion with CHF 5.3 billion in Net New Money and a 14.1% increase in new accounts.

We received positive appreciation from our clients in our most recent Net Promoter Score SM study in 2020 and confirmed high client satisfaction by scoring the mean value of 5.4 out of 7.0, as measured on a Likert scale through the annual International Client Satisfaction Survey. In our survey, over half of respondents gave us the scores of 6 and 7 meaning they were either very satisfied or extremely satisfied with Swissquote. Net Promoter Score (NPS®) is a standard indicator providing insights into customer loyalty. It measures the willingness of customers to recommend the brand to a friend or acquaintance, and it is calculated as a difference between brand promoters and distractors.

In 2020, most of our customers calling our Tradeline could reach one of our Customer Care agents in less than one minute despite the near doubling of the number of inbound calls compared to 2019.

How We Are Reaching Our Goals

We constantly release new products into the market. For example, we were the first online bank to offer trading on cryptocurrencies. And while we are quick to respond to customer needs with new products and services, we are committed to keeping our platform simple to use.

We truly believe that trading should be accessible to anyone. Swissquote offers a broad range of training tools to help customers join the trading universe more easily and successfully. We also publish the Swissquote Magazine six times a year which features ground-breaking stories to guide investors toward a successful personal investment strategy.

Knowing our customers is how we are perfecting the customer experience, and we invest heavily in user research as a component of product and service design. Our team includes a researcher dedicated to understanding customer needs and a specialist who works on the user journey throughout the design process. We systematically conduct usability testing, including testing by Swissquote employees with a wide range of trading level competencies, organise small group events with customers and regularly survey clients to collect qualitative feedback. Our "mystery trader" practice gives insight into the customer experience regarding quality of interaction with Swissquote support teams.

We make sure we share the findings with all employees and expect them to respond to client needs and feedback. To build a common understanding of clients and their needs we have conducted special data-based research to create so-called "Personas" – archetypes of customers that represent key traits of a large segment of our audience. They help us understand our customers' needs, experiences, behaviour and goals.

To ensure that we meet our customers' expectations, we ask them how they feel about our services in client surveys and look at how our competitors are perceived through benchmarking. Since 2016, we have measured client satisfaction in cooperation with the global market research firm IPSOS. The level of client satisfaction has been relatively stable for the last four years. On a biannual basis, we measure customer experience with Net Promoter ScoreSM. We combine NPS® measurements with our customer experience and customer satisfaction research to continually increase customer delight and loyalty.

Client satisfaction targets are reflected in the dedicated Marketing Scorecard used by the Marketing team to set annual performance objectives.

CREDIBILITY IN THE MARKET

Credibility is everything in banking. Without credibility, there is no bank.

The Value of Market Credibility

Swissquote is not a typical Swiss bank. We are forging our own unique market position based on creativity, software development and investor empowerment. Being known for reliability and flexibility is allowing us to progressively move from being considered by our customers as their "secondary" bank toward being their first and only bank. Swissquote is becoming a universal digital bank with a broad range of products and services.

WHERE WE HAVE SET OUR SIGHTS

- **Remain a profitable company and remain a trustworthy partner for customers**
- **Maintain a strong equity capital ratio well above minimum requirements**
- **Apply best practice standards in financial and non-financial reporting**
- **Support meaningful regulation and appreciate being regulated by the most respectful regulators in the world**
- **Provide transparency**
- **Apply best practice corporate governance rules**

A Look at 2020

When people started staying home during the COVID-19 pandemic, we experienced a significant inflow of new customers, trades and capital, which strengthened our position as the leading online bank in Switzerland. While traditional banks played catch-up to meet the technology and digitalisation demands of this growing market, Swissquote benefitted from having been there for more than 20 years.

In 2020, we capitalised on our reputation and leveraged our digital edge to strengthen our credibility as a better, cheaper alternative to legacy banks. As the pioneer and leader of digital banking in Switzerland, the experience and standing we have earned over two decades has enabled us to quickly tailor, expand and improve our platform to stay ahead of our competition.

How We Are Reaching Our Goals

On a fundamental level, we establish customer trust by being a regulated bank under the authority of the Swiss Financial Market Authority (FINMA) in Switzerland and a regulated bank under the authority of the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg, with all the guarantees and capital requirements that come with the status. On a yearly basis, financial and regulatory audits are performed.

Beyond our status as a regulated bank, we know that transparency is the foundation of enduring and trusted relationships. Relevant aspects of our business activities are openly communicated to our customers, our partners and all other stakeholders. Our language is clear and unambiguous.

Our International Client Satisfaction survey that we conduct with international research institute IPSOS since 2016 consistently reveals that our clients highly appreciate our status as a regulated bank accountable to a reliable supervisory authority. Our clients confirm their trust in us and our ability to securely manage their data. In relation to regulatory status, trust and security, our clients give us a satisfaction score above 6 out of 7.

We are diligent in respecting all compliance and cross-border policies and fiercely protective of our strong brand reputation at the highest possible level. There were no incidents of non-compliance concerning product and service information and labelling or marketing communications in 2020.

In addition to being a bank, the company also operates as a public media vector in the form of an online financial platform accessible by a large audience in Switzerland and abroad. The financial industry in Switzerland sets restrictions and information publication obligations applicable to the advertising of specific groups of products and services, particularly in the field of the investment fund business. Our response to these requirements is the early and close engagement of our Legal and Compliance department, the extensive use of ad hoc disclaimers as well as a cross-border policy. Regulatory audits are performed by external editors.

CUSTOMER DATA SECURITY, PRIVACY AND PROTECTION

Protecting personal data, maintaining confidentiality and safeguarding privacy are among our most sacred duties. We protect our clients' data with the highest level of information security available.

The Value of Customer Data Security, Privacy and Protection

Customers expect their banks to keep their financial information safe and secure. Proactive IT management targeted on shielding our clients from financial harm and privacy is necessary to achieve a high level of trust, ensuring our customers' loyalty and reinforcing our credibility.

WHERE WE HAVE SET OUR SIGHTS

- **Achieve zero incidents regarding customer data security, privacy and protection**
- **Maintain and preserve the strong reputation of the bank**
- **Remain a trusted bank and warrant all the discretion and security required by our customers**
- **Obtain successful results at the annual penetration test audit performed by a third party**

A Look at 2020

The COVID-19 outbreak has increased the risk of phishing as cyber-criminals have multiplied their attacks. In response, we have increased our efforts to prevent phishing by filtering emails and blocking fraudulent websites. We also have redoubled our attention on employee awareness and training, including a new IT newsletter spotlighting this topic.

The rapid move to work-from-home arrangements resulting from COVID-19 and the Internaxx transition into Swissquote Bank Europe presented challenges in terms of customer data security. We implemented additional information security measures to address the needs of our customers and enable contact sharing without compromising privacy.

We did not experience any major incidents regarding customer data security in 2020, and our employees' appropriate response to phishing emails helped us avoid and anticipate potential scammers targeting our customers. **GRI 418-1**

How We Are Reaching Our Goals

As a bank regulated by the Swiss Financial Market Authority (FINMA) and other regulators around the world, we abide by strict security measures to ensure that our customer data and privacy are safe. We are taking all the necessary actions to ensure the best privacy and security for our customers despite the abandonment of the E.U./U.S Privacy Shield and developments on the CH/U.S Privacy Shield.

Our security measures include securing our operating environments and limiting access on a need-to know basis, encrypting all sensitive information processed in transactions over our websites, and verifying customer identity before granting access. In addition, we retain customers' personal data for only as long as it is necessary for the stated purpose, taking into account also our need to answer queries or resolve problems, provide improved and new services and comply with legal requirements under applicable laws. When the personal data that we collect is no longer required in this way, we destroy or delete it in a secure manner.

We ensure compliance with the Swiss Federal Act on Data Protection and that the principles of European Union General Data Protection Regulation (GDPR) that apply to Swiss companies are implemented. We have a dedicated email address (privacy@swissquote.com), which our customers can use at any time to contact us to discuss any privacy or security concerns.

All matters of data security and privacy are managed by our IT Security team. Ultimate responsibility lies with top management, in particular our Chief Technology Officer, in close collaboration with our Chief Risk Officer. We are also training our employees on data security and privacy-related risks and procedures. As an example, all new collaborators need to complete an online course on the topic of GDPR.

We contract a third party to run certified IT audits and penetration tests to ensure our systems are complying with applicable rules and regulations.

» Further details can be found in the section on compliance, governance and ethics

How we innovate to enhance our products

At Swissquote, we are never satisfied with upholding the status quo. We are continuously seeking new and unexpected ways of delivering value to our customers by developing, refining and modernising our products and services. This dedication to innovation is something our customers have come to expect from us and has become a defining characteristic for the company.

PRODUCT FOCUS

Swissquote continually develops new products to better serve our customers and provide value to stakeholders. By focusing our efforts on developing the most innovative products possible, we provide our clients with industry-leading value while directly reinforcing the company's reputation for excellence.

The Value of Focusing on Products

Over the past decade, Swissquote's business has evolved from offering stock trading to retail clients in Switzerland to offering various products to retail, corporate and institutional clients worldwide. To maintain this growth and improve our agility we have become a product-focused organisation.

WHERE WE HAVE SET OUR SIGHTS

- **Increase agility to speed up the pace of product delivery and keep a high level of stability in our systems**
- **Cut product delivery time in half over the next two years**

A Look at 2020

After we established our product-focused organisation and created a business community that set visions and goals for each product in 2019, we concentrated on changing the way our technical teams collaborate in 2020. To accomplish this, we conducted multiple workshops with all stakeholders to define the new way we wanted to collaborate. Through these workshops, we decided to build small cross-functional teams – so-called squads – that have a clearly defined scope in which they can quickly understand the product and rapidly add value. During 2020, we rolled out this new approach across the organisation.

How We Are Reaching Our Goals

For each product, there is now a product manager in charge of working toward the overall vision and achieving the set targets. The product managers lead the squads' efforts and coordinate with the relevant departments.

We are employing this squad model for both product improvement and new product development. We have a metric-based approach for product development, in which each squad receives a measurable objective and tracks KPIs relevant to their task, such as lead time, technical depth or team mood.

INNOVATION

As a pioneer in the online banking industry, innovation is central to our corporate identity and has become synonymous with our brand. We strive to generate value in new and unexpected ways that delight our customers and keep them using our services.

The Value of Innovating

Digital banking services and technology have become key elements of the banking industry. More and more customers expect to have a convenient, easy to use, flexible and on-demand method of managing their financial assets. Our competitive advantage and positive brand perception increase if we can provide newer and more desirable products than our competitors. By focusing on innovation, we can add value to the Swissquote platform and quickly act on changes in the market.

WHERE WE HAVE SET OUR SIGHTS

- **Bring new, disruptive products to the market and differentiate ourselves through innovation**
- **Reinforce reputation as a pioneering organisation**

A Look at 2020

In 2020, we expanded our activities in the credit sector by launching a new online leasing offering in collaboration with an electric car manufacturer. With this entry in the leasing market, customers can benefit from an enhanced digital experience that enables a swift processing of their leasing requests.

We also built our own Contract for Differences (CFD) programme that allows clients to trade major stock indices online in our FX platforms. This resulted in a significant growth in our CFD revenues and has led to CFDs being 27% of our leveraged forex revenues (2019: 20%) and 8% of our total operating income (2019: 7%).

In addition, Swissquote has intensified its long-standing collaboration with PostFinance, a leading financial service provider in Switzerland, by deciding to enter a joint venture to launch a joint mobile banking app scheduled for the first half of 2021.

How We Are Reaching Our Goals

Swissquote develops innovative solutions by continually scouting the market for new technologies and by understanding the needs and behaviours of our customers to anticipate what could improve their experience and increase their trade volumes with us.

For more and more investors, ESG criteria are becoming an increasingly important aspect of stock selection. While Swissquote already offers a broad range of trading options focused on sectors that fight climate change in their regular operations, we are also evaluating how we can provide better ESG-related information to our customers in the future.

Our product management organisation is responsible for driving innovation. Ideas are discussed in think tanks, and squads are created around each innovation project once a budget is allocated. We also foster innovation among all our employees by running an annual internal competition called "BattleDev", where our employees form teams to flesh out innovative projects that are submitted to a jury formed by coaches and employees. In 2020, the competition could not be held due to the COVID-19 pandemic.

Objectives and KPIs are established to track the development of new products and innovations. We also collect feedback from our customers through qualitative and quantitative surveys.

Further details can be found in the section on customer experience.

How we create value and conduct business responsibly

We are committed to conducting our business responsibly and transparently. Mutual respect is foundational to our identity and defines everything we do. At Swissquote, we consider this both a moral obligation and a differentiator; by building relationships based on trust and understanding, we are better positioned to serve our customers, now and into the future.

PRUDENT INVESTMENT APPROACH

We work hard to safeguard our clients' financial interests. By including environmental, social and governance criteria into our investment decisions, we are limiting risk exposure while making a positive impact on the world in both the short and long term.

The Value of Prudent Investing

Swissquote does not provide investment advice or asset management services other than Roboadvisory services and our core business does typically not involve granting direct loans to corporations. However, as a publicly traded company with a Swiss banking license and more than 400,000 accounts, we must strictly follow rules and guidelines to safeguard our customers' assets and shareholders' equity. Swissquote fully complies with the Basel III framework.

For us, prudent investment means doing our best to ensure long-term returns by investing in responsibly operated companies and ventures. We aim to invest in high-quality issuers to mitigate yield deterioration while maintaining an appropriate risk level. Responsible and prudent investing is important to achieve a target yield and maintain a strong liquidity ratio.

WHERE WE HAVE SET OUR SIGHTS

- **Ensure the adequate and vigilant management of the various risks affecting our assets**
- **Remain in compliance with regulations and our own rules**
- **Apply best practice risk management policies**

A Look at 2020

The unprecedented global reach of the COVID-19 pandemic was the dominant topic governing our investment decisions in 2020. So far, our prudent investment approach has proven effective as we have no defaults to report, and less than 0.1% of our investment portfolio has a witnessed significant degradation of its credit metrics. The full scale of the pandemic's consequences is not yet known, and as such, we have adopted a selective approach for credit risk appetite.

How We Are Reaching Our Goals

In addition to the Swiss regulations for licensed banks that ensure proper capital and liquidity buffers as well as risk diversification, our Board of Directors has set internal risk management guidelines that pertain to our investment approach. These guidelines cover approved investment products that Swissquote can purchase on its balance sheet, maxima and minima by credit rating and type of investment product, diversification rules by country and industry, liquidity buffers as well as rules to ensure an appropriate duration of our assets and liabilities. Our diversification rules ensure we are minimising investments into less sustainable companies.

The Asset and Liability Management and Treasury Department, which oversees the balance sheet, is responsible for adherence to our risk management guidelines. Our Controlling and Risk department monitors compliance to these rules daily. In addition, adherence is audited by external auditors to prevent conflicts of interest.

COMPLIANCE, GOVERNANCE AND ETHICS

Since our foundation, Swissquote has built a reputation based on transparency and respect for our stakeholders. Integrity is in our DNA, and our partners have come to expect this in everything we do.

The Value of Compliance, Good Governance and Strong Ethics

Conducting our business with integrity is vital to avoid regulatory risks and preserve our upstanding reputation. As a regulated Swiss bank, compliance with all relevant laws and regulations, including their corresponding best practices, is important from both a regulatory and a business perspective, as reputation and trust are key elements to successful banking relationships.

We take great care in conducting our business in a responsible and ethical manner. We are fair, honest and respectful in every interaction with our customers, partners and colleagues. Everything we do is done according to the highest ethical and corporate governance standards. Employees are contractually required to comply with those standards, and breaches can result in termination. As an international financial services group based in Switzerland, we are in full compliance with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance as well as all national and regional requirements where we do business. We inform our shareholders, prospective investors and the public on our corporate governance policies through our corporate governance report. Our Code of Conduct is available on our website.

WHERE WE HAVE SET OUR SIGHTS

Aim for zero events that could harm our reputation and set corresponding objectives for people in management positions.

A Look at 2020

In 2020, we created a new Code of Conduct that clearly states our values and corporate governance approach and guides the behaviour of all our employees. We made sure all employees were informed about the contents of the new Code of Conduct. Our core values are: **GRI 102-16**:

- Champion the customer
- Unite as one
- Dare to be different
- Do the right thing
- In pursuit of excellence
- Always say it how it is

Swissquote did not identify any non-compliance with applicable laws and regulations in the economic, social or environmental area and was not subject to any legal actions for anti-competitive behaviour, anti-trust or monopoly practices in 2020 **GRI 206-1 GRI 307-1 GRI 419-1**.

How We Are Reaching Our Goals

Our stakeholders expect accountability from us – and our procedures and organisational structure are set up to respond to their reasonable concerns and anticipate any issues that may arise. As a matter of course, we comply with both the letter and spirit of the laws and regulations and identify and adopt best practices to ensure compliance throughout our operations. Among others, we have policies and rules in place to identify, mitigate, manage and prevent conflicts of interest, money laundering, terrorism financing, corruption and market abuse. For example, for digital account openings, we follow the procedure for video and online identification that respects anti-money laundering and "know-your-customer" policies outlined by FINMA.

We run an e-learning training programme to ensure our employees are well versed in all policies, applicable laws and regulations. All our employees are trained in anti-money-laundering procedures, insider trading and anti-corruption. **GRI 205-2**

We foster a culture of ethics and expect employees to abide by our Code of Conduct. The Code of Conduct is presented during our induction programme for new employees, which is a series of training modules aimed at onboarding and familiarising newcomers with our operations and company principles. Swissquote requires all new employees to review, understand and acknowledge they received and read our policies on banking secrecy, money laundering, insider trading and corruption **GRI 205-2**. Behavioural expectations are also outlined in our Core Manual and Standard Terms and Conditions that are part of the working contract.

If an employee suspects unethical or illegal behaviour, we have reporting procedures that guide a discussion of the suspicious activity with the manager and escalate any issues to the Human Resources or Legal and Compliance departments. **GRI 102-17**. In case of occurrence, each breach of ethics is fully investigated and appropriate corrective actions are taken. We employ external legal counsel and undergo external audits to confirm that we manage our regulatory and compliance risks effectively.

BUSINESS CONTINUITY AND IT RESILIENCE

Our Business Continuity and IT Resilience plans ensure that critical business processes can continue in the event of a major internal or external incident. It solidifies our reputation as a reliable bank that can maintain complete operations even during times of crisis.

The Value of Business Continuity and IT Resilience

As an online bank offering eTrading and eForex services every single day, around the clock and across the globe, ensuring business continuity is of major importance. Any interruption of our operations could lead to litigation and reputational damage. It is therefore of paramount importance to have abundant measures in place to prevent and prepare for such events.

WHERE WE HAVE SET OUR SIGHTS

- **Always remain resilient and operational**
- **Apply Business Continuity Management best practices**
- **Comply with applicable regulation from FINMA, Swiss Banking Association and other authorities**
- **Keep operating and limit losses in the event of an operational disruption, IT disaster or national emergency**

A Look at 2020

During the peak of the pandemic, we expanded our working-from-home arrangement to full time for 92% of our workforce without any impact on operations. Our platform continued to operate normally without crashes or interruptions, despite a massive increase in trades. The pandemic fully tested our ability to conduct business as usual in an unexpected and rapidly developing crisis. Our response to the pandemic demonstrates the soundness of our business continuity strategy. In 2020 we started evaluating solutions to automate and centralise the Business Continuity Management (BCM) process.

How We Are Reaching Our Goals

Business Continuity Management is an integral component of our entire corporate strategy. We have designed a thoughtful and detailed business continuity strategy that addresses a comprehensive range scenario, with our corresponding responses to events that threaten our operations with total or partial failure and, by extension, provide guarantees that our activity as a whole is preserved. As disruptive events can have multiple causes, our strategy focuses on consequences and impacts rather than the causes themselves.

Our strategy and related plans in particular enable us to cope with the following consequences and impacts of disastrous events:

1. Total or partial inaccessibility or loss of one of our buildings
2. Loss or unavailability of IT infrastructure, applications and/or communication system
3. Loss of key skills or staff members
4. Pandemic

Our strategy incorporates best practices and regulated mandates as they relate to business disruption. Swissquote business continuity plans are reviewed every year and certified by third-party audits and external consultants to continuously improve our business continuity processes.

FINANCIAL PERFORMANCE

Swissquote aspires to grow as a company and provide exceptional value to investors by pioneering new markets in the online banking industry. By reinvesting part of our profits into improving and innovating our operations and services, we are positioned to lead the Swiss online banking industry as one of the best capitalised banks.

The Value of Monitoring and Developing Cash Flow

Swissquote structures its business strategy around the long-term growth, profitability and capital efficiency of its operations through innovative products, enhancing client experience and expanding to new markets. To achieve this, our strategy balances profitability and capital efficiency with a long-term view to create value by investing in our technology and services, improving cost-efficiency and generating sustainable growth.

WHERE WE HAVE SET OUR SIGHTS

2020

- **Acquire net new money in the amount of CHF 3 billion**
- **Raise net revenues by 10%**
- **Increase pre-tax profit by 10%**

MEDIUM-TERM

- **Increase client assets**
- **Improve our margin on assets at 90 basis points**
- **Increase net revenues and pre-tax profit**
- **Achieve a pre-tax margin of 30%**

A Look at 2020

The volatile market conditions caused by COVID-19 led to increased trading activities, and Swissquote posted record figures for organic customer acquisition, revenue and profitability, surpassing all expectations. This crisis accelerated the adoption of digital services and highlighted the benefits of online banking that offers quick and direct access to one's own investments.

Swissquote was well positioned to capitalise on these new consumer behaviours, with more than 50,600 new accounts opening in 2020. These new customers drove organic growth, generating CHF 5.3 billion of net new money, leading to revenue increasing by nearly 50% since last year. Net profit more than doubled at CHF 91 million, with a net profit margin of 29%. This success has led to us holding a record number of client assets valued at CHF 39.8 billion, with a strong Basel III core capital ratio of 23.0%.

How We Are Reaching Our Goals

We adopt a holistic approach to financial performance, with the objective of sharing the value we create among our different stakeholder groups. While we share profits with our shareholders in the form of dividends and other pay-outs, we also retain some revenue to reinvest in innovative services and products that disrupt markets and make financial trading accessible to everyone. We also incentivise our employees with short-term and long-term equity-based compensation plans to improve operations and profitability.

As a company listed on the Swiss stock exchange and regulated by FINMA, we are subject to stringent and comprehensive financial market regulations. Our financial performance is audited by an external party on a semi-annual basis. We compare our financial results against the goals we set and take corrective measures to stay on track. Remaining a strongly capitalised bank according to Basel III is key to our success. Hence, the distribution of value created takes into account regulatory capital constraints by considering the reference capital.

» Further details can be found in the Remuneration Report and in the Financial Report.

What matters to us regarding social responsibility

Swissquote is every person who works here, and every person who works here is Swissquote. Our people are our most important investment, and they are why we succeed. We challenge them, trust them, support them, compensate them and protect them. And as a result, they deliver an exceptional and refreshing banking experience to our customers. Similarly, we recognise the value of supporting the communities in which we do business and partnering with people and organisations in those communities to ensure that our presence is beneficial.

EMPLOYEE ENGAGEMENT

With the blessing of leadership, our employees challenge everything that makes traditional banking irrelevant. The dress code? The sluggish innovation? The inaccessible managers? Everything is on the table. We value personality, initiative and above all, team spirit. Our employees are empowered with a common goal: making trading opportunities accessible to everyone.

A brief look at our workforce

Swissquote's workforce includes 720 full-time equivalents (FTE) in Switzerland and Luxembourg, 700 of which are employees and 20 of which fulfil the roles of apprentice, intern, trainee or external position. This represents an increase in FTEs of 13.4% compared to 2019. Among our 700 employee FTEs, 12% are part-time, of which 64% are women. 4% of FTEs have a fixed-term contract, of which 47% are women. Across all FTEs, 31% are women and 69% are men.

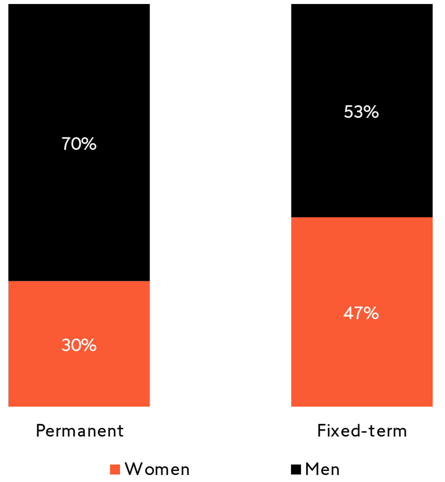
Composition of the workforce

GRI 102-8

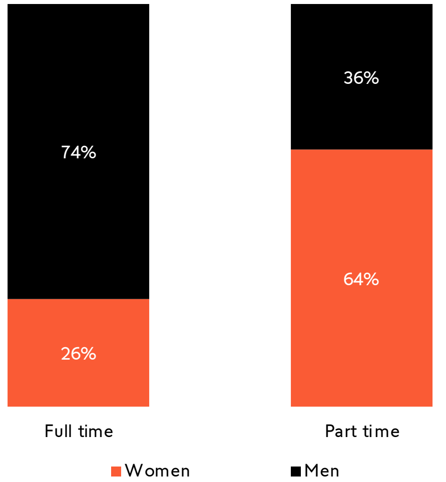
in FTE	2020	share	2019	share
Employees*	**700**	–	**617**	
Apprentices, interns, trainees, externals	20	–	18	
Employees by employment contract*				
Permanent	672	96%	603	98%
Fixed-term	28	4%	14	2%
Employees by employment type*				
Full time	619	88%	542	88%
Part time	81	12%	75	12%
Employees in locations not in scope of the sustainability report	85		87	
Total employees at Group level	**805**		**722**	

* excluding apprentices, interns, trainees, externals

BY EMPLOYMENT CONTRACT



BY EMPLOYMENT TYPE



The Value of Employee Engagement

Swissquote is a bank that does not feel like one, and we believe this is a big part of what makes us an attractive employer. We have intentionally created an environment that appeals to employees who would not otherwise choose the banking sector, and we take care of them in ways that encourage them to stay. Employees are encouraged to challenge themselves and each other, so that together we are stronger, faster and smarter.

WHERE WE HAVE SET OUR SIGHTS

- **Attract and retain talent to increase overall performance and capacity for innovation**
- **Decrease turnover to maximise institutional knowledge and reduce talent acquisition costs**
- **Emphasise well-being for the health, happiness and productivity of employees**
- **Increase engagement and commitment to maximise job satisfaction**
- **Improve reputation as a best place to work**
- **Encourage current employees to recruit candidates from their network**

A Look at 2020

We developed a full-time remote working arrangement during COVID-19, which required navigating the complexities of the local regulatory environment and risks related to remote working in the banking sector. For example, we validated our security system for cross-border remote working and to ensure compliance with Swiss banking secrecy law.

Throughout the year, we enabled and encouraged actively connecting with each other through social activities on our videocall platform, dedicated pages on the intranet and online events held by Executive Management representatives to keep employee motivation high. We also set up “share and learn” pages to help managers lead their teams through a difficult year by providing training sessions and enabling the exchange of experiences and best practices. Our regularly conducted Pulse Surveys showed that motivation among employees remained high throughout the pandemic with close to 80% of our employees feeling motivated.

As the yearly Christmas party could not take place, Swissquote granted an extra day of vacation and a special gift to each employee. In place of the cancelled Swissquote Kids party, each parent received a voucher from a toy shop per child.

In 2020, we were recognised as one of the most attractive employers in Switzerland by Universum, with a rank of #43 for Tech Talents. This is particularly important to us as it shows that our efforts to raise awareness of Swissquote as a technology leader are panning out. Over the last few years, we have started to reach out directly to potential job candidates and conducted online and social media campaigns to attract top engineering talent. For 2021, we plan to update our employer branding strategy.

How We Are Reaching Our Goals

We are a highly motivated, agile, youthful and spirited organisation. Unlike every other bank, we prioritise work-life balance, a start-up approach to work and a relaxed environment. Our values as a company are what make Swissquote unique in the industry and keep our focus on our team members: Unite as one, Dare to be different, Do the right thing, In pursuit of excellence, Always say it how it is, Champion the customer.

We celebrate curiosity and debate, which has built our reputation as an employer of choice. We cannot be competitive on all employer aspects, but we can create an inspiring working environment where norms are challenged and ideas are brought to life.

Among the perks that differentiate us are: no dress code, an exceptional work-life balance that even before the pandemic accommodated part-time and remote working, and a highly deliberate social atmosphere and active social calendar (that has, unfortunately, needed to be put on hold since the pandemic outbreak). Normally we offer free coffee, tea, biscuits and fresh fruit, as well as free breakfast several times a week, monthly events at our company headquarters pub and several larger social events per year. Our employees also enjoy free training in sports such as tennis, golf and football.

Further details can be found in the section on compensation and benefits.

We place a high value on open and continual communication, and we have continued our practice of holding at least two staff meetings a year to present the company's status and offer a Q&A session with our Chief Executive Officer. We regularly invite employees to present and explain the projects they are working on to the rest of the company during lunch talks.

We routinely ask for feedback through engagement surveys to monitor employee satisfaction. These include regular management surveys to understand how we can better support employees and, during the pandemic, weekly surveys to check on employees' overall welfare. Our employees can also provide feedback on food and events via special surveys. Finally, in our European Division, we established an annual benchmarking process to compare our initiatives with those of local banks using the Luxembourg Bankers Association (ABBL) survey.

To promote health and security in the workplace for all employees, each employee is required to follow an e-learning training module on health and security measures at work that covers topics such as preventing accidents, behaviour in case of emergency, appropriate workstation ergonomics, burnout awareness, work-life balance and emergency contacts. Our various health and security measures aim to prevent professional risk, promote and implement an healthy environment and reduce workplace accidents and injuries.

A software system recording each employee's working hours is designed to ensure that work time rules and regulations are respected and that overtime is monitored and fairly compensated when appropriate. In addition, the system closely monitors absenteeism. These elements are part of a broader set of measures adopted to preserve employees' well-being and work-life balance.

To maintain a safe workplace in case of emergency, selected employees are trained as volunteer fire fighters and emergency first responders. Every year, all employees take part in an evacuation drill. In each open office space of the building an employee is in charge of ensuring a safe and quick evacuation without incident. Those employees receive appropriate training for this role. The drill evacuation is always followed by feedback on the success of the operation to ensure that the organisation learns and grows from it.

COMPENSATION AND BENEFITS

We expect our employees to work hard, and we strive to make working hard easy. This includes fair and competitive compensation, generous benefits, an enjoyable work environment, a priority on work-life balance and a focus on health and well-being.

The Value of Thoughtful Compensation and Benefits

An attractive compensation, rewards and benefits package is a critical competitive tool, especially in the financial industry. We have intentionally designed our remuneration policy to attract talent, retain valuable employees and knowledge, and maximise employee engagement.

WHERE WE HAVE SET OUR SIGHTS

- **Confirm fair and competitive compensation with regular benchmarks**
- **Foster non-monetary compensation**
- **Align pay with performance**
- **Encourage a healthy work-life balance**
- **Promote remote working**

A Look at 2020

Despite a challenging year for the organisation, we were able to conduct pay reviews, pay out Profit Awards and offer shares or options to employees according to our Employee Share and Option Plan, as planned. We decided to maintain salaries for all employees even in situations where people had to work part-time due to family obligations. We did not request short-time working compensation from the Swiss government.

Before the pandemic, 15% of our employees took advantage of our remote working policy allowing employees to work 20% of the week from home. By April 2020, more than 90% of our staff had shifted to working from home due to the initial pandemic lockdowns.

How We Are Reaching Our Goals

Our Pay for Performance policy unambiguously communicates the relationship between compensation and work. Remuneration is linked to the achievement of our strategic business objectives, our overall performance and individual performance. Our policy is aligned with best practices and designed not to create incentives for risk taking outside Swissquote's risk appetite. We apply salary grids to guarantee equal and fair treatment and prevent compensation disparity.

In addition to fair and competitive compensation, every employee receives a yearly bonus ("Profit Award"), the amount of which varies according to their hierarchical position within the company. All employees with at least one year of service are entitled to participate in our Employee Share and Option Plan, which awards free shares and options based on position. Our seniority recognition programme includes additional days of vacation and cash bonuses.

Employees are more productive and satisfied when they do not have to choose between family and career. This is why we are serious about work-life balance: flexible working hours, part-time positions (even at senior levels of management) and sabbatical leave options. Even before the pandemic, our normal workweek permitted working remotely one day a week.

We keep our thumb on the pulse of compensation trends to ensure that our employees are fairly, equitably and competitively paid. Each year, we benchmark the compensation of several positions to remain competitive for those positions. In our European Division we conduct a biannual compensation and benefit review where we compare our approach to that of the local market.

With the exception of the "Profit Award" and "Employee Share and Option Plan", we provide all benefits to full-time, part-time and temporary employees **GRI 401-2**. While in Luxembourg 70% of our employees were part of a collective bargaining agreement in 2020, there is no such agreement in place that could apply to our employees in Switzerland. **GRI 102-41**.

Swissquote goes beyond minimum legal requirements for pensions. We pay 60% of the total contributions to the occupational pension fund. Our contributions also exceed the recommended saving rates by age group. We provide complementary plans to cover salaries above the legal maximum, and we offer additional savings opportunities. Employee representatives are involved in the decision-making process. **GRI 201-3**.

TALENT DEVELOPMENT

Developing the talent we want to keep is the foundation of our talent management efforts. Compensation and benefits are important, but they are only the first step toward cultivating team members who are skilled and inspired to do their best work.

The Value of Talent Development

Helping employees on all career levels develop their talents and become masters of their craft are key to a fully engaged and productive workforce. We aim to ignite employees' curiosity, ensure continuous learning and secure the skill sets needed for long-term business success. By funding skill development and ongoing education, we help our employees grow their careers while staying at Swissquote. When employees stay, we reduce talent acquisition costs for new employees, and we experience higher morale. A healthy internal promotion programme strengthens company culture, institutional knowledge and long-term leadership.

WHERE WE HAVE SET OUR SIGHTS

- **Attract and retain talented employees**
- **Promote internally**
- **Support professional growth**

A Look at 2020

The main challenge in 2020 was dealing with the COVID-19 pandemic. Despite lockdowns in all of our offices, we worked hard to continue providing training and education. While some external conferences and seminars were held virtually, others were cancelled. We were able to digitise our own courses for managers and newcomers as well as the language courses for our employees that are managed by an external provider. But overall, fewer training sessions were conducted in 2020.

In 2020, we continued to map career paths within the company to highlight the possibilities of horizontal mobility and create awareness around its benefits among managers. We improved internal mobility with better internal advertising of open positions and a more confidential internal transfer process. The rate of internal transfer saw an increase to 24%, up from 22% in 2019 and 15% in 2018.

We decreased our turnover rate to 10% in 2020 from 15% in 2018. We promoted 11% of employees to management positions in our European Division.

For skill improvement, Swissquote funded 29 certified training programmes such as university degrees or industry-specific professional training courses, 53 language courses and 77 conference registrations held throughout Europe. Regardless of the seniority level of the employee, Swissquote provides up to 100% of financial support for training, depending on the degree of alignment with company priorities.

How We Are Reaching Our Goals

Excessive turnover happens when there is not a good company/employee fit or when an employee feels that there is no place to grow in the company. We reduce turnover in two ways: first, through more thoughtful hiring informed by exit interviews conducted to understand why people leave; and second, by offering a variety of options for growth, both vertically and horizontally. This includes competence building, formal appraisal and feedback, and providing employees with career development opportunities across different functions and different locations.

Swissquote maintains five training areas for employees: general, compliance, IT security, IT development and management. For example, for managers, investing in their management skills helps them become more highly engaged employees themselves and better at fostering engagement among their team members. For every new manager, we offer Management Toolbox Training that introduces our expectations to managers and includes courses on setting smart objectives, giving constructive feedback, labour law and recruitment.

All newcomers experience our introduction programme that includes four modules: learning about the company, our internal tools, the world of finance and forex.

Every employee has a performance appraisal at least once every year to discuss performance, career perspectives and objectives **GRI 404-3**. Managers and human resource specialists analyse employee records to detect opportunities for improvement or advancement in every department. In our European Division, the appraisal process is a year-long continuous process that culminates in a year-end review for all employees.

Individual and team objectives are set every year through discussions with the employee and their immediate manager. Objectives are consistent with the employee's job description and level and take into account the organisational strategy and priorities for the period to be reviewed. Objectives are reviewed informally along the year. A formal yearly review is conducted by the manager who assesses employees on their performance against their responsibilities and objectives.

DIVERSITY

We embrace diversity along every line: gender, age, origin, culture, language, sexual orientation, religion, thinking and working style, experience, skill and marital status. The more perspectives we have, the better decisions we make for our diverse base of customers around the globe.

The Value of Diversity

The 820 employees (805 FTEs) of Swissquote Group work in nine cities, represent approximately 50 nationalities and speak 35 different languages.

Our unique identity is defined by our diversity of backgrounds, cultures, nationalities and skills. Greater diversity makes it easier for people to fit in. Without a Swissquote employee stereotype, people can more quickly become active contributors. Inclusivity is the foundation of our close-knit community.

We value inclusion and diversity at Swissquote because it helps us evolve, innovate, problem-solve and be more efficient. More perspectives mean fewer missed opportunities, and we are keenly aware of the value of a diverse workforce as we expand into other areas of the world.

WHERE WE HAVE SET OUR SIGHTS

- **Offer equal opportunities to all our employees**
- **Achieve Fair-ON-Pay re-certification**
- **Promote diversity in the organisation**

A Look at 2020

In 2020, we obtained the Fair-ON-Pay certification, a voluntary certification that demonstrates conformity with the requirements of the Federal Office for Gender Equality and ensures that women and men in similar jobs are compensated equally. The certification process confirmed that we have been ensuring equal pay all along, although prior to 2020 we had never had it reviewed by an external party.

One of our challenges with diversity is to balance the gender mix in our technological departments, which represent about 40% of our workforce in Switzerland. In 2020 we adapted our application tracking system so that we can now identify applications from women, which helps us consider more women candidates for open positions. We also participated in a few events targeted at women in tech to raise awareness of Swissquote as a potential employer.

On the Group Board of Directors, 20% of our members are women while, among the Group Executive Management, 100% are men. At other management levels, 18% are women and, of our workforce, 32% are women. Regarding age diversity, 58% of our employees are between the ages of 30 and 50, with 38% younger than 30 and 4% older than 50. Among executive managers and board directors, 51% and 20% respectively are younger than 50. Regarding other management levels, 83% are younger than 50.

How We Are Reaching Our Goals

We care and commit to have an unbiased recruiting process that does not discriminate and promotes diversity throughout our company. For example, our recruiting is conducted fully in English to welcome candidates of any nationality, and we advertise our job openings on European and global platforms.

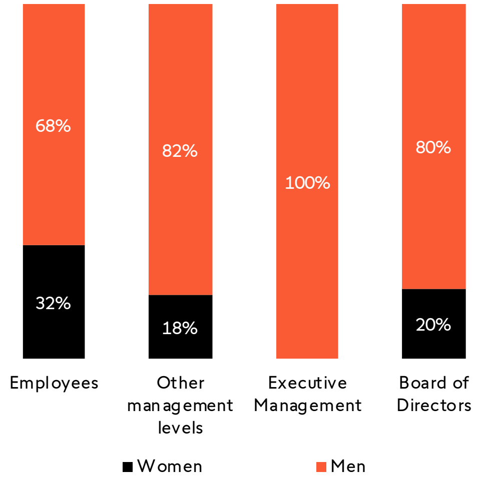
The Swissquote culture ensures a respectful workplace free from discrimination and harassment and supports equal opportunities, compensation and treatment. We have included corresponding rules in our terms and conditions and established a reporting and escalation process to immediately address instances of intolerance, discrimination and harassment.

Salaries are audited by an external party to ensure we abide by the Fair-ON-Pay certification and have no gender discrimination. We promote remote working and offer part-time working contracts for men and women, even in management. The Swissquote culture is inclusive, non-discriminatory and makes room for all perspectives.

» Further details can be found in the section on Employee Engagement.

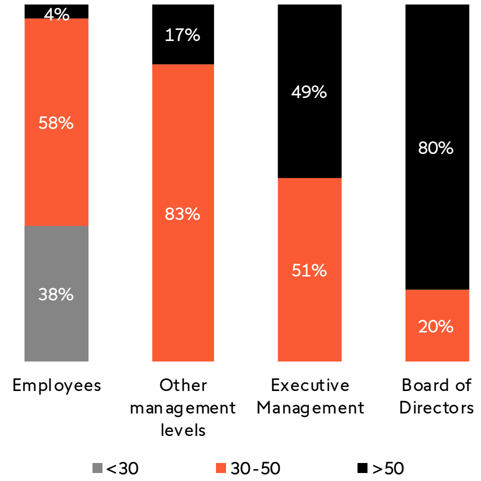
DIVERSITY BY GENDER, 2020

GRI 405-1



DIVERSITY BY AGE GROUP, 2020

GRI 405-1



SOCIAL IMPACT

In 2020, the strength of communities was more important than ever. We are committed to contributing and supporting the local and regional communities in which we do business.

The Value of Supporting Communities

Being a good corporate citizen creates a positive feedback loop that starts with sharing success with others and comes back to the company in the form of positive reputation, supportive neighbours, loyal customers and motivated employees.

WHERE WE HAVE SET OUR SIGHTS

- **Foster education and innovation**
- **Improve livelihood of citizens in our communities**

A Look at 2020

In light of the raging pandemic, we participated as a sponsor of VersusVirus, an online hackathon designed to explore innovations for fighting COVID-19, and encouraged employee participation in the event.

Together with the non-profit organisation Caritas Switzerland, we launched the Trade for Good initiative, which collected 1 swiss franc per trade during a three-week period and resulted in the raising of CHF 236,087 for Caritas Switzerland in 2020.

In addition, more than 40 per cent of our employees decided to make a donation as part of their 2020 company Christmas gift, and Swissquote subsequently doubled their contributions. As a result, CHF 12,300 were donated to Caritas Switzerland and CHF 9,700 to Médecins Sans Frontières.

In 2020, we formed a partnership with Clic, the computer science student association of École polytechnique fédérale de Lausanne (EPFL). To help students refine their job interview presentations, we provided 15 free Zoom sessions with Swissquote recruiters.

How We Are Reaching Our Goals

Our corporate citizenship initiatives focus on fostering education and innovation, but also include local cultural enrichment, ecologically responsible transportation and poverty alleviation.

We make substantial financial contributions to innovation and higher education in finance, aiming to adequately prepare the next generation of financial professionals to manage and anticipate risk in the financial industry and reduce the impact of economic crises on communities. Since 2009, we have given the Swissquote Chair in Quantitative Finance at EPFL in Lausanne CHF 400,000 per year in support of this effort. We also provide ongoing support to the Fondation pour l'Innovation Technologique (FIT), which provides grants to start-ups that are creating breakthrough innovations. For the 9th year running we again donated CHF 100,000. We are a main partner of the Montreux Comedy Festival and a partner of the Servette Football and Hockey Club. In 2020 we have financially supported local cultural institutions and sport clubs with more than CHF 300,000. In addition, we donated CHF 17,500 to fund a Publibike electric bike station in Gland and paid an additional CHF 4,500 for ten Publibike Business subscriptions to offer a subscription to all interested employees in our headquarters. We also purchased CHF 2,300 worth of vouchers for theatre events in Gland for our employees and donated CHF 3,000 to the G4 foundation, an association offering severely ill children the chance to realise their most cherished dreams. **GRI 203-1**.

We also formed a partnership with Caritas Switzerland, a charitable foundation that assists Switzerland's most vulnerable and disadvantaged people.

Why Environmental Responsibility is important to us

Every business can take actions to reduce greenhouse gas emissions and cut back on waste. In 2020, there are zero reasons to continue the wasteful habits of the past and every reason to achieve efficiency across the company – for and with our stakeholders. By committing to environmental responsibility, we are doing our part to fight climate change.

The Value of Environmental Responsibility

As a corporate world citizen, Swissquote has a responsibility to respect the environment and counteract the effect our business has on the ecosystem. We strive to minimise our environmental impact and prioritise a strong environmental performance, which strengthens our relationships with stakeholders.

WHERE WE HAVE SET OUR SIGHTS

- **Increase the energy efficiency of our headquarters buildings by 10% over 10 years**
- **Increase our CO2 savings by approximately 7 tons per year over 10 years**
- **Reduce paper consumption by promoting digital initiatives**
- **Promote recycling within the organisation**

A Look at 2020

Before COVID-19, we had eliminated all single-use paper and plastic cups, replacing them with one reusable mug and water bottle for each employee. We installed electric hand dryers in all bathrooms to reduce the use of paper towels. In the age of the pandemic, however, we have had to return to disposable cups and greater use of paper products to adhere to best practices for inhibiting viral spread. We will reinstate our eco-friendly initiatives as soon as it is safe to do so.

We have fully enabled the ability of customers to open accounts completely digitally, which has decreased paper consumption. More than 75% of new accounts were opened digitally in 2020.

Environmental indicators

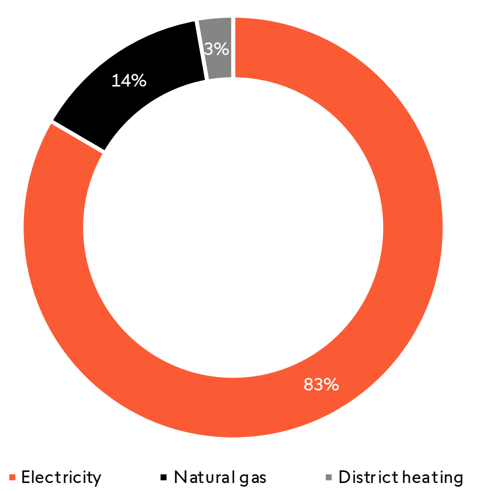
Overall consumption of energy in 2020 was approximately 1% less than 2019 consumption, despite a 13.4% increase in FTEs. Taking the increase in FTEs into account, our 2020 consumption was a stark 11% decrease in kWh of energy consumed per FTE. Overall natural gas consumption decreased by 12%, mainly due to the installation of new sensors and an adjustment of the set-point temperature at our facility in Gland, as well as milder climatic conditions. Greenhouse gas emissions were down 2% overall and 13% per FTE compared with 2019.

Sustainability Report

	2020	2019	Delta
Total energy consumption in MWh	**3,018**	**3,034**	**–1%**
Electricity	2,517	2,469	2%
Natural gas	417	472	–12%
District heating	84	93	–9%
Energy consumption in kWh per FTE	**4,192**	**4,778**	**–12%**
Greenhouse gas emissions in tCO_2 e	**349**	**356**	**–2%**
Scope 1: Natural gas	77	87	–12%
Scope 2: Electricity & District heating	272	269	1%
Greenhouse gas emissions in $kgCO_2$ e per FTE	**485**	**560**	**–13%**

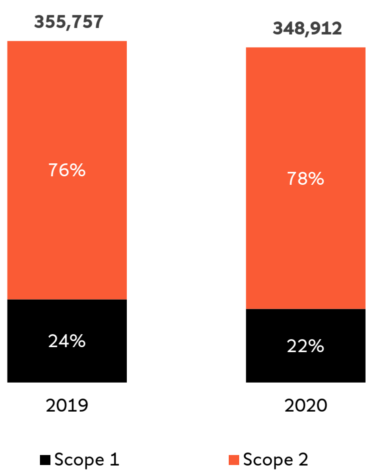
Data in the above table is based on locations in Gland and Luxembourg. Greenhouse gas inventory calculated in accordance with the Greenhouse Gas Protocol. Emission factors from DEFRA and IEA.

SHARE OF ENERGY CARRIERS 2020



GREENHOUSE GAS EMISSIONS BY SCOPE

t CO_2e



How We Are Reaching Our Goals

We track our energy consumption and constantly seek ways to increase energy efficiency. We officially agreed on energy efficiency objectives for our headquarters buildings with the canton of Vaud in Switzerland in 2016. In the first three years following this agreement, we improved by 9% and are close to meet our objective well ahead of the set target of 2026. We were able to reduce our energy consumption and our CO_2 consumption by 7 tons per year compared to 2016 despite employing more people and growing our IT infrastructure.

In 2013 we installed solar thermal collectors on our new headquarters building to shift more of our energy consumption to renewable energy. In 2020, it produced nearly 15MWh of energy that was used to heat up domestic water. For our future third building, we have concrete plans to install photovoltaic panels. We also optimised our server locations to reduce cooling needs and are updating our lighting system to reduce electricity use.

To confirm that we are making regular progress on shrinking our environmental footprint, our facilities are audited by an external party annually according to our agreement with the Vaud Canton on building energy efficiency.

We have a recycling guideline in place to promote recycling within the organisation. Our Swiss offices are located no further than a five-minute walk from a railway station to promote the use of public transportation. We also built electric vehicle parking lots with charging stations at our offices, offering electricity to employees at discounted rates.

About this Report

The Global Reporting Initiative (GRI) provides the world's most widely used standards for sustainability reporting, offering a structured format to coherently and comprehensively share information about material issues and related performance metrics.

We use the GRI Standards to transparently disclose our sustainability efforts for the first time **GRI 102-48 GRI 102-51**. The reporting scope comprises headquarters in Gland in Switzerland and our office in Luxembourg. We will gradually include our offices in Zurich, Bern, London, Dubai, Hong Kong, Malta and Singapore in the reporting scope over the coming years. Reference is made to page 32 regarding the list of consolidated subsidiaries in the consolidated financial statements **GRI 102-45 GRI 102-9**. Swissquote engages with a variety of business partners to successfully create value. Among others these include: financial counterparties such as banks, stock exchanges, brokers, prime brokers and liquidity providers; datafeed providers; software engineering firms, software and IT infrastructure providers; and other professional service providers such as advertising, sponsoring, consulting and legal firms. In the reporting period, there were neither significant changes to the organisation and its supply chain nor to the list of material topics **GRI 102-49 GRI 102-10**.

The report has been prepared in accordance with the GRI Standards: Core option **GRI 102-54**. The reporting period comprises the calendar year 2020 **GRI 102-50**. Swissquote commits to an annual reporting process **GRI 102-52**. The reporting principles for defining report content and quality have been applied throughout the information collection and report development process. The contents of the sustainability report have not been externally assured **GRI 102-56**.

The contact point for questions regarding the report is Nadja Keller, CEO Assistant / Media Relations, Swissquote, E-mail: nadja.keller@swissquote.ch **GRI 102-53**.

Memberships and Associations and Commitments to External Initiatives

GRI 102-12 GRI 102-13

- Swiss Bankers Association (SBA)
- Association des Banques et Banquiers Luxembourg (ABBL)
- Swiss Funds and Asset Management Association (SFAMA)
- Capital Markets and Technology Association (CMTA)
- Foundation for Technological Innovation (FIT)
- Commission vaudoise pour la formation bancaire (CVFB)

We are committed to the standards, self-regulations or code of conduct of those associations.

GRI Content Index

For the Materiality Disclosures Service, the GRI Services team reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI Materiality Disclosures Service was performed on the English version of the report.

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