Swissquote

TWENTY ONE
ANNUAL REPORT

Certified true copy of the original
Name : Jacques Barakat SWISSQUOTE BAN
Title : CHIEF REPRESENTATIVE
Date & Place:
Signature:

Swissquote Bank Ltd

swissquote.com

Annual report 2021
Swissquote Bank Ltd

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Report to the shareholders

Dear shareholders,

Swissquote's annual results confirmed that 2021 was a record year. Operating income increased by 40.4 percent year-on-year to CHF 450.9 million, while operating result reached a record high of CHF 199.9 million, an increase of 133.6 percent. Profitability, with an operating result margin at 44.3 percent increased strongly thanks to higher trading volumes and more customer accounts. With organic net new money inflow hitting a record high of CHF 9.3 billion, client assets grew to CHF 51.0 billion.

Markus Dennler
Chairman of the Board of Directors

Marc Bürki
Chief Executive Officer

Swissquote confirms record year and strong customer growth.

Revenues set new records year after year

At CHF 450.9 million (CHF 321.1 million), **operating income** was at its highest level to date, having risen by 40.4 percent year-on-year. **Result from commission business and services** rose by 66.4 percent to CHF 242.5 million (CHF 145.7 million) due to the strong growth in trading accounts and increased trading activity. Trading activity was particularly strong in crypto assets as this asset class continued to move towards broader acceptance among both private and institutional investors. **Result from trading activities** climbed by 22.6 percent to CHF 183.7 million (CHF 149.8 million). As expected, **net result from interest operations** dropped by 21.1 percent to CHF 12.5 million (CHF 15.8 million) due to the persisting negative/low interest rate environment.

Operating expenses in line with growth ambitions

At CHF 216.3 million (CHF 176.2 million), **operating expenses** were 22.8 percent higher than in the previous year, due mainly to the rise in personnel expenses as well as marketing expenses. In 2021, Swissquote launched a set of ambitious initiatives to strengthen its brand awareness outside of Switzerland, such as the 3-year sponsorship of the UEFA Europa League and UEFA Europe Conference League. At the end of 2021, Swissquote Bank had a workforce of 841 employees (+19.6 percent).

Net profit exceeds expectations

The combination of revenues and expenses brought a 133.6 percent increase in **operating result** to CHF 199.9 million (CHF 85.6 million) and resulted in a operating result margin of 44.3 percent (26.7 percent). **Profit for the year** more than doubled year-on-year to CHF 173.8 million (CHF 74.8 million). This is the result of strong organic growth and a diversified and innovative product offering, which enabled Swissquote to capture the operational leverage provided by its technology.

Report to the shareholders

Sound capital base

Swissquote successfully combined top profitability and organic growth with a strong Basel III **capital ratio** at 25.1 percent (23.0 percent). As of the end of 2021, Swissquote exhibits a solid and well-capitalised balance sheet of CHF 8,563.1 million. **Total equity** increased by 37.4 percent to CHF 458.8 million (CHF 333.9 million).

CHF 51.0 bn

Total client assets

Record-high organic net money inflow and client assets

The high **net new money inflow** continued to increase to CHF 9.3 billion in 2021 (CHF 4.9 billion). This trend is attributable Swissquote's international expansion (around half of the net new monies were related to customers resident abroad), as well as to its unique positioning for mass affluent customers.

Client assets rose by 42.9 percent in 2021 to CHF 51.0 billion (CHF 35.7 billion) thanks to net new money inflow but also to the positive market environment. Per customer, this equates to a healthy average deposit in excess of CHF 110,000. As at the end of December 2021, clients held assets of CHF 49.9 billion (+43.7 percent) in trading accounts, CHF 245.8 million (-2.1 percent) in savings accounts, CHF 493.0 million (+51.1 percent) in Robo-Advisory accounts and CHF 393.9 million (–5.5 percent) in eForex accounts.

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

Marc Bürki
Chief Executive Officer

Corporate governance

Board of Directors

Dr Markus Dennler	Chairman of the Board of Directors
Dr Monica Dell'Anna	Member
Martin Naville	Member
Dr Beat Oberlin	Member
Jean-Christophe Pernollet	Member
Michael Ploog	Member (since May 2021)

Executive Management

Marc Bürki	Chief Executive Officer
Paolo Buzzi	Deputy Chief Executive Officer
Yvan Cardenas	Chief Financial Officer
Gilles Chantrier	Chief Risk Officer
Alexandru Craciun	Chief Technology Officer (since April 2021)
Jan De Schepper	Chief Sales and Marketing Officer
Lino Finnini	Chief Operating Officer
Morgan Lavanchy	Chief Legal Officer
Michael Ploog	Chief Investment Officer (until April 2021)

Other corporate bodies of the Bank

BDO Ltd	Internal Audit
PricewaterhouseCoopers Ltd	External Audit

Other information

As additional information to the Corporate Governance Report that is included in the Swissquote Group 2021 Annual Report (www.swissquote.ch), we confirm that at least one third of the Board of Directors consists of independent members, as required by FINMA Circular 2017/01.

Statutory balance sheet

in CHF	Notes	31 December 2021	31 December 2020
ASSETS			
Liquid assets		5,535,682,353	4,018,577,806
Amounts due from banks		1,055,623,439	1,149,237,448
Amounts due from securities financing transactions	1	13,682,100	100,000,000
Amounts due from customers	2	868,509,620	721,714,752
Trading portfolio assets	3	16,058,614	15,636,072
Positive replacement values of derivative financial instruments	4	92,643,924	89,292,800
Financial investments	5	842,961,093	656,043,060
Accrued income and prepaid expenses		13,221,560	17,656,623
Participations	6/7	15,017,605	3,186,758
Tangible fixed assets		107,140,421	113,841,335
Intangible assets		–	754,846
Other assets	8	2,557,122	–
Total assets		**8,563,097,851**	**6,885,941,500**
Total subordinated claims		–	–
– of which subject to mandatory conversion and / or debt waiver		–	–
LIABILITIES			
Amounts due to banks		284,583,008	277,444,869
Amounts due in respect of customer deposits		7,637,573,821	6,145,458,182
Negative replacement values of derivative financial instruments	4	53,412,293	43,339,509
Accrued expenses and deferred income		83,779,536	58,523,981
Other liabilities	8	34,218,142	19,171,813
Provisions	12	10,749,106	8,053,334
Reserves for general banking risks	12	2,236,000	2,236,000
Bank's capital	13	42,000,000	42,000,000
Legal capital reserve		79,757,576	79,757,576
Legal retained earnings reserve		12,615,028	12,615,028
Profit carried forward		148,341,208	122,497,560
Profit for the year		173,832,133	74,843,648
Total liabilities		**8,563,097,851**	**6,885,941,500**
Total subordinated liabilities		–	–
– of which subject to mandatory conversion and / or debt waiver		–	–
Off-balance sheet transactions			
Irrevocable commitments	2	38,073,316	33,524,220
Obligations to pay up shares and make further contributions	2	9,500,000	–

Statutory income statement

in CHF	Notes	2021	2020
Result from interest operations			
Interest and discount income	22	6,738,032	10,604,891
Interest and dividend income from financial investments		5,430,197	6,237,405
Interest expense	22	881,212	274,385
Gross result from interest operations		**13,049,441**	**17,116,681**
Changes in value adjustments for default risks and losses from interest operations		(538,514)	(1,270,667)
Subtotal net result from interest operations		**12,510,927**	**15,846,014**
Result from commission business and services			
Commission income from securities trading and investment activities		254,031,416	153,282,875
Commission income from other services		16,030,112	11,094,275
Commission expense		(27,603,992)	(18,664,061)
Subtotal result from commission business and services		**242,457,536**	**145,713,089**
Result from trading activities	21	**183,687,053**	**149,834,356**
Other result from ordinary activities			
Result from the disposal of financial investments		806,839	627,622
Other ordinary income		11,457,162	9,055,492
Subtotal other result from ordinary activities		**12,264,001**	**9,683,114**
Operating expenses			
Personnel expenses	23	(112,150,126)	(93,120,842)
General and administrative expenses	24	(104,175,238)	(83,100,393)
Subtotal operating expenses		**(216,325,364)**	**(176,221,235)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(29,726,250)	(28,167,386)
Changes to provisions and other value adjustments, and losses		(4,948,061)	(31,094,511)
Operating result		**199,919,842**	**85,593,441**
Taxes	26	(26,087,709)	(10,749,793)
Profit for the year		**173,832,133**	**74,843,648**

Proposed appropriation of retained earnings

Board of Directors' proposal to the Ordinary General Meeting of shareholders

Appropriation of retained earnings

The Board of Directors proposes that the Ordinary General Meeting of shareholders approve the appropriation of retained earnings for the 2021 financial year as follows:

in CHF	2021	2020
AT 31 DECEMBER BEFORE APPROPRIATION		
Profit for the year	173,832,133	74,843,648
Profit carried forward	148,341,208	122,497,560
Distributable profit	**322,173,341**	**197,341,208**
APPROPRIATION OF PROFIT		
Allocation to legal retained earnings reserve	–	–
Allocation to voluntary retained earnings reserves	–	–
Distributions from distributable profit	–	(49,000,000)
Profit carried forward after appropriation	**322,173,341**	**148,341,208**

The legal reserve exceeding 50% of the Bank's capital, no further allocation is required by law (art. 671 CO).

Statement of changes in equity

in CHF	Bank's capital	Legal capital reserve	Legal retained earnings reserve	Reserves for general banking risks	Profit carried forward	Result of the period	Total
BALANCE AS AT 1 JANUARY 2021	42,000,000	79,757,576	12,615,028	2,236,000	122,497,560	74,843,648	333,949,812
Capital increase	–	–	–	–	–	–	–
Other contributions	–	–	–	–	–	–	–
Dividend	–	–	–	–	(49,000,000)	–	(49,000,000)
Other allocations to (transfers from) the reserves for general banking risks	–	–	–	–	–	–	–
Allocations to profit carried forward	–	–	–	–	74,843,648	(74,843,648)	–
Profit for the current year	–	–	–	–	–	173,832,133	173,832,133
Balance as at 31 December 2021	**42,000,000**	**79,757,576**	**12,615,028**	**2,236,000**	**148,341,208**	**173,832,133**	**458,781,945**

Notes to the financial statements

Section I: Name, legal form, domicile and activities of the Bank

Name, legal form, domicile and activities of the Bank
Swissquote Bank Ltd (hereinafter "the Bank") has been registered in the commercial register of the Canton of Vaud since 24 November 2000. It operates as a universal bank according to the Swiss Federal Act on Banks and Savings Banks. The Bank is headquartered in Gland, Canton of Vaud, Switzerland. It has offices in Zurich, Bern, the United Arab Emirates (Dubai) and China (Hong Kong) through its representation offices and in the United Kingdom (London) and Singapore through its subsidiaries. Since April 2021, the Bank shares 50% interest in a newly founded company designated as Yuh Ltd and headquartered in Gland (Switzerland). This company markets a digital banking mobile application under a separate brand in the Swiss market (www.yuh.com). As at 31 December 2021, the headcount represented in full-time equivalents was 841 employees (2020: 703).

The Bank is a leading digital online bank that accepts multi-currency deposits (including crypto-assets) and that provides to private and institutional investors:

- Securities trading services (including custody services) by means of tools to trade in realtime a large palette of asset classes and access a set of investment, decision-making, risk-monitoring and margin lending services;
- Access to over-the-counter trading of leveraged foreign exchange and contract-for-difference (leveraged forex).

Commissions and fees
Income from commissions and fees account for the major part of the Bank's revenue. Commissions and fees are mainly related to securities, crypto assets and derivatives trading on behalf of clients, wealth management services and administration of investment funds. Service activities are mainly provided to private banking and institutional clients.

Trading activities
Swissquote Bank Ltd offers to its clientele access to over-the-counter ("OTC") leveraged foreign exchange trading through technology platforms. Swissquote Bank Ltd offers primarily what is referred to as an agency model to execute client trades. Income from trading activities is mainly generated by adding a mark-up to the price provided by the market.

Management information system
The Board of Directors and Executive Management receive regular reports on the Bank's investments, financial position and liquidity.

Type of financial statements
The accounts were prepared in accordance with the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks and the relevant provisions of the Swiss Banking Ordinance (thereafter BO), provisions for the presentation of accounts as regulated by the Swiss Financial Market Supervisory Authority (Ordinance on the Accounting of the Swiss Financial Market Supervisory Authority, thereafter FINMA-AO and Accounting Rules for Banks, investment firms, financial groups and conglomerates, FINMA Circular 2020/1, thereafter ARB-FINMA), and statutory provisions. They present the Bank's economic position in such a way that a third party can make a reliable assessment ("Reliable assessment statutory single-entity financial statements"). The financial statements are allowed to include hidden reserves.

They were prepared on the assumption that the Bank will continue as a going concern for the foreseeable future.

As per Art. 35, para. 3 BO, the Bank is not required to prepare consolidated financial statements. In addition, the Bank elected to apply disclosure exemptions of certain notes as permitted by Art. 86 of the FINMA-AO.

Entry of transactions and recognition on balance sheet
All transactions concluded up to the reporting date are accounted for on a daily basis and valued according to the Bank's accounting standards. The result of all concluded transactions is reported in the income statement. Concluded transactions that have not yet been executed are posted on the balance sheet according to the principle of trade date accounting.

Notes to the financial statements

Section II: Accounting standards and valuation policies

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated using the market exchange rate on the balance sheet date. Income and expenses are translated using the exchange rate applicable during the financial year. Gains and losses from foreign currency translation are recognised in the income statement for the year.

The translation rates (closing prices of major currencies) used as at 31 December are as follows:

	2021	2020
AED	0.2483	0.2410
CAD	0.7211	0.6955
EUR	1.0379	1.0816
GBP	1.2340	1.2107
HKD	0.1170	0.1142
JPY	0.0079	0.0086
SGD	0.6766	0.6698
USD	0.9121	0.8854

Additional disclosures required under FINMA Circular 2016/1

Pursuant to margin no. 9 FINMA Circular 2016/1, Swissquote Bank Ltd does not produce a financial publication on shareholders' equity, given that comparable information is published by Swissquote Group Holding Ltd (refer to 2021 annual report, which is available online at the following address: https://en.swissquote.com/company/investors).

However, according to margin no. 13 FINMA Circular 2016/1, Swissquote Bank Ltd has to publish the regulatory key figures indicated in the Annex 2 of the Circular (table KM1). These key figures are presented on pages 31 and 32 of these financial statements.

Cash flow statement

Pursuant to Art. 25 Para. 3 BO, banks that prepare statutory single-entity financial statements with reliable assessment are exempt from preparing a cash flow statement.

Valuation principles

Assets, liabilities and off-balance sheet transactions are valued individually.

Liquid assets, amounts due from banks

Liquid assets, amounts due from banks are recognised on the balance sheet at nominal value or purchase value, less the individual value adjustments for impaired receivables.

Amounts due to banks, amounts due in respect of customer deposits and amounts due from banks

Amounts due to banks, amounts due in respect of customer deposits and amounts due from banks are recognised on the balance sheet at nominal value.

Amounts due from customers (loans/receivables)

Impaired receivables, in other words receivables that the borrower is unlikely to be able to repay in future, are valued individually and the impairment is covered by individual value adjustments. A receivable is considered impaired when there is strong evidence that future contractual payments due in respect of the capital and/or interests are unlikely to be made. The value adjustment is deducted from the loan.

The impairment corresponds to the difference between the carrying amount of the receivable and the amount the Bank expects to recover, in light of the counterparty risk and the net proceeds from the realisation of any collateral.

When a receivable is considered to be fully or partially unrecoverable or the Bank stops its recovery attempts, it is written off by debiting the corresponding value adjustment.

Where the Bank acts as a leasing provider for customers under a finance lease, a receivable is reported in the balance sheet under "Amounts due from customers", 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 Bank expects to recover at the end of the lease term. The element of the leasing instalment representing the interest for the period in question is recognised in the income statement (Net result from interest operations). The remaining amount of the leasing instalment represents the repayment element and reduces the claim amount. As per FINMA-AO, category 4 banks can create value adjustments for inherent default risks on loans and receivables that are not impaired. Where applicable, the Bank uses a flat-rate method for the creation of such value adjustments.

Trading portfolio assets

Trading portfolio assets are always valued and recognised in the balance sheet at fair value. Price gains and losses and interest income and dividends from portfolios held for trading are booked under "Result from trading activities".

Foreign currency trading positions are revalued on a daily basis at market price and the resulting gains and losses are included in "Result from trading activities".

Notes to the financial statements

Section II: Accounting standards and valuation policies

Trading portfolio assets (continued)

The breakdown of trading income by type of underlying risk is now presented with a granular level, comparative figures have been adjusted accordingly.

Financial investments

Investment securities that the Bank intends to hold to maturity are stated at cost in light of the delimitation of the long-term premium or discount (amortised cost method). Accrued interest income and expense, including accrued coupon and amortised premium or discount, are included in the carrying values of related positions. Other financial investments that the Bank does not intend to hold to maturity are stated at the lower of the acquisition cost and market price (in light of the premium or discount of the financial investments). The balance of value adjustments is recognised under "Other ordinary income" or "Other ordinary expenses".

Tangible fixed assets

Tangible fixed assets are stated at cost and depreciated using the straight-line method over their useful lives via "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". All tangibles above CHF 1,000 are activated. The useful life for the most important items is set as follows:

- Buildings, without the land: max. 30 years
- Banking software: max. 10 years
- IT equipment and other software: max. 2 to 10 years
- Improvements and office equipment: max. 5 to 10 years

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 IT systems - software. Development costs are capitalised and amortised using the straight-line method over their useful lives, with this period not exceeding three to five years.

The value is reviewed and adjusted every year. If the review reveals a change in the useful life or a loss of value, the Bank amortises the residual carrying amount according to a plan corresponding to the new useful life or implements an unscheduled amortisation.

Intangible assets

Acquired intangible assets are recognised on the balance sheet as soon as it becomes clear that these assets will procure future economic benefits for the Bank over several years. The amortisation periods are determined individually.

Goodwill and intangible assets are usually amortised within 5 years on a straight-line basis via "Value adjustments on participations and amortisation of tangible fixed assets and intangible assets". This useful life can be extended to a maximum of 10 years. Goodwill and intangible assets are tested for impairment annually.

Participations

Participations are booked at cost less economically necessary impairments.

Each participation is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indicators exist, the recoverable amount is calculated. An asset is impaired if its carrying amount exceeds its recoverable amount and the impairment is charged via "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets".

Realised gains from the sale of participations are recorded via "Extraordinary income" and realised losses are recorded via the item "Extraordinary expense".

Pension commitments

The Bank's employees are insured through a pension fund that applies the legal provisions regulating occupational benefit plans (LPP-Law on occupational pension schemes) in Switzerland. Contributions are reported as personnel expenses in the income statement for the year in which they are incurred. The Bank performs an annual review of the financial position of the pension fund according to a dynamic model (projected unit cost method) in order to identify the existence, from its viewpoint, of economic benefits or economic commitments towards its pension funds and treats them in accordance with Swiss GAAP RPC 16:

- An economic obligation is reported on the balance sheet and the difference versus the corresponding value of the prior period is recognised as a personnel expense in the income statement.
- An economic benefit is not stated in the balance sheet.

The assessment is based on information provided by the pension fund about its financial position as at 31 December 2021. The commitments and the corresponding capital are reviewed periodically by an independent actuary.

Notes to the financial statements

Section II: Accounting standards and valuation policies

Provisions
Provisions are established individually when considered economically necessary to cover all known risks. Existing provisions are revalued on each balance sheet date. They are increased, maintained or released depending on these new valuations via the income statement item "Changes to provisions and other value adjustments, and losses".

Contingent liabilities, irrevocable commitments, commitment to release and make additional payments
These off-balance sheet positions are stated at nominal amount. Provisions are made for all foreseeable risks.

Derivative financial instruments
Derivative financial instruments are valued at fair value. Their positive and negative replacement values are stated in their gross amounts under "Positive/negative replacement values of derivative financial instruments". The fair value stems either from the price resulting from an efficient and liquid market, or the price offered by market makers, or the price set using pricing models. The majority of the replacement values represent open positions on currency forwards, precious metals forwards and CFD derivatives.

The replacement values of derivative financial instruments resulting from transactions executed on behalf of clients are stated in the balance sheet if, during the residual term of the contract, they may result in a risk for the Bank in the event that either the client or the other counterparty (stock exchange, stock exchange member, issuer of the instrument, etc.) can no longer meet any commitments.

For exchange-traded agreements where the Bank acts as a broker, the replacement values are not stated on the balance sheet unless the aggregate daily loss is exceptionally not fully covered by the initial effective margin requested.

All changes in fair value are recognised as part of "Result from trading activities" in the income statement (except for foreign exchange swaps: result from interest operations).

Hedge accounting
The Bank may use derivatives to hedge interest rate or credit risks. The Bank designates those derivatives as hedges and those that do not qualify for hedge accounting are recorded as trading derivatives. Hedging transactions, which fulfil the requirements of FINMA-AO and ARB-FINMA, are valued on the same basis as the transactions they hedge. The result is booked under the same item as the hedged transaction. Transactions that no longer fulfil this function are considered as trading transactions and treated as such.

Taxation
Taxes due on the revenues and capital for the corresponding period are calculated in accordance with the applicable tax provisions. Direct income taxes still payable at the end of the financial year are recognised as a liability in the balance sheet under accruals.

The Bank's income tax expense involves a degree of estimation and judgement as a certain number of components cannot be finally determined until resolution with the relevant tax authority is reached.

The reserves for general banking risks are not taxed.

Off-balance sheet transactions
Fiduciary activity: the Bank 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 balance sheet because the general FINMA-AO / ARB-FINMA and Swiss Code of Obligations definitions of an asset are not met.

Holdings in crypto assets: the Bank offers crypto assets trading and custody services to its clients. The Bank holds all crypto assets credited to the client accounts solely as a nominee (fiduciary capacity) on behalf of its clients, who remain the legal and beneficial owners of such holdings. The Bank itself has no claim to the crypto assets, as they are assets belonging to its clients. In 2021, the Adaptation of Federal Law to Developments in Distributed Ledger Technology (DLT bill) entered into force and provides legal certainty in the area of distributed ledger technology. The amendments to several civil and financial market laws provide (among other) clear rules for the segregation of crypto assets in the event of bankruptcy of the custodian. Segregation and compliance to segregation requirements are key elements in determining whether the holdings in crypto assets have to be recognised in the balance sheet or not.

Other off-balance sheet transactions: other off-balance sheet disclosures are at nominal value.

Notes to the financial statements

Section III: Risk management

Measurement of risks

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 theirs own risk assessments and their recommendations with respect to the risk management and internal control.

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 Bank 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 Amounts due from customers or Positive replacement value of derivative financial instruments, and from investing activities that bring exposure as Financial investments, Amounts due from banks and Amounts due from securities financing transactions.

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

Amounts due from customers:

Amounts due from customers are principally in the form of:

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

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

Lombard loans and other types of margin loans: for Lombard loans, the maximum amount of margin (and hence of credit to a client) is based on the aggregate margin determined on each item of the customer's portfolio. The margin rate for securities is based on the type of security (mainly listed shares and bonds), and various other features such as liquidity, volatility and external rating. The amount of maximum margin is remeasured at each transaction of the customer, and in case of inactivity of the client several times per business day. Lombard loans are monitored using a realtime system comparing the fair value of the collateral with the actual credit granted to each customer. Margin loans may be granted by the Bank 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 Bank 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.

Finance lease receivables (leasing credits): the Bank offers leasing credits for new electric cars to private individuals. In that context, the Bank 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 regulation and prescribed limits. Limits apply at a counterparty level. Compliance with prescribed limits is monitored at a counterparty level. Compliance with prescribed limits is monitored on an ongoing basis and also verified before the conclusion of each transaction.

Amounts due from banks:

Amounts due from banks comprise:

- 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 and term deposits.

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 Bank's clients.

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

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

Amounts due from securities financing transactions:
Amounts due from securities financing transactions consist of reverse repurchase exposure that are mitigated by securities pledged by the third-party bank in favour of the Bank.

Financial investments:
Financial investments mainly comprise of debt securities and other bills. Internal regulations define the procedures for the approval, management and review of the Bank's exposure.

Positive replacement value of 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 Bank 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). As with any leveraged product offering, there is the potential for a client to lose more than the margin deposit. As a result, the Bank 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 Amounts due from customers.

Liquidity risk
Liquidity is the ability of the Bank 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. To manage this risk the Bank has set liquidity levels. Compliance with these limits is checked every day.

Market risks
Market risk is the risk that fair values or future cash flows of financial instruments will fluctuate because of changes in market conditions. The Bank 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 Bank 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 Bank uses market risk measurement and management methods designed to meet or exceed industry standards.

Foreign exchange risk:
The Bank 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 (eForex) business: foreign exchange risk arises from leveraged forex activities and clients trading foreign currencies and foreign designated securities.

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

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 Bank takes on exposure to the effects of fluctuations in the prevailing levels 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.

Equity market risk:
Equity market risk arises from trading assets and contract-for-differences (CFD's) offered to clients.

Trading assets mainly comprise of bonds, units in investment funds and a portfolio of equities.

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

Issuer credit risk:
Issuer credit risk represents exposure to changes in the creditworthiness of individual issuers or groups of issuers. The Bank's 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.

Market liquidity risk:
Market liquidity risk represents the risk that the level of expected market activity changes dramatically and, in certain cases, may even cease to exist. This situation results in the inability for a market participant to liquidate a position in a timely manner at a reasonable price. The effects of market liquidity risk can result into a price impact of trading activity (bid-ask spreads) and/or a postponed trading execution. This exposes the Bank 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.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. Operational risk is an inevitable consequence of being in business and materialises in a wide variety of risks, including technology risk and data confidentiality. It also comprises all legal and compliance risks insofar as these could represent a direct financial loss. Technology risk stems from the dependencies on information technology, thirdparty suppliers and the IT infrastructure as well as from the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses. At the same time, cybersecurity risk has significantly increased in recent years.

Managing operational risk is a core element of the Bank 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.

Notes to the financial statements

Section III: Risk management

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 categorised and prioritised. 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 Bank. The technology risks are managed under the supervision of the Chief Operating Officer and with the support of dedicated security 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 Bank, which includes among others the areas of technology, information security and Business Continuity Management.

Fiduciary activities: the Bank 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 Bank is exposed to the operational risks associated with the use of this technology.

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 Bank 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 involves assigning cryptocurrencies to public addresses that are linked to multiple private key, each separately stored, subset of which are needed to effectuate any transfer. The Bank selected Bitstamp and Coinbase as liquidity providers and sub-custodians. When selecting an intermediary in the field of cryptocurrencies, the Bank 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.

Reputation risk

Reputation risk stems from the association of the Bank's name with criminal affairs, especially with regard to money laundering. By extension, this risk includes all situations in which fraud is committed by the Bank's employees. The Legal & Compliance department monitors the Bank's compliance with the regulatory provisions in force and the due diligence tasks that financial intermediaries must carry out. The department also oversees the adaptation of internal directives to meet new legislative and regulatory provisions.

Section IV: Material events occurring after the balance sheet date

None.

Notes to the financial statements

Section V: Information on the balance sheet

1 Securities financing transactions (assets and liabilities)

in CHF	2021	2020
Amounts due from securities financing transactions		
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions[1]	13,682,100	100,000,000
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	13,682,408	99,964,173
– of which, repledged securities	–	–
– of which, resold securities	–	–
Liabilities from securities financing transactions		
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	–	–
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	–	–
– with unrestricted right to resell or pledge	–	–

[1] Before netting agreements

2 Collateral for loans / receivables and off-balance sheet transactions, as well as impaired loans/receivables

	Type of collateral			
in CHF	Secured by mortgage	Other collateral	Unsecured	Total
Amounts due from customers	–	710,796,746	203,414,850	914,211,596
Total loans (before netting with value adjustments)				
31 December 2021	**–**	**710,796,746**	**203,414,850**	**914,211,596**
31 December 2020	–	491,900,785	281,990,415	773,891,200
Total loans (after netting with value adjustments)				
31 December 2021	**–**	**710,696,746**	**157,812,874**	**868,509,620**
31 December 2020	–	491,900,785	229,813,967	721,714,752
Off-balance sheet				
Irrevocable commitments	–	1,329,316	36,744,000	38,073,316
Obligations to pay up shares and make further contributions	–	–	9,500,000	9,500,000
Total off-balance sheet				
31 December 2021	**–**	**1,329,316**	**46,244,000**	**47,573,316**
31 December 2020	–	1,646,220	31,878,000	33,524,220

Unsecured amounts due from customers include loans to Swiss municipalities (CHF 91,940,000) and amounts deposited with SIX Group (CHF 65,723,552). According to ARB-FINMA, receivables from non-bank financial institutions have to be classified as "Amounts due from customers".

Obligations to pay up shares and make further contributions represent the additional funding that Swissquote is likely to provide to the investment in joint venture Yuh Ltd.

Notes to the financial statements

Section V: Information on the balance sheet

2 Collateral for loans / receivables and off-balance sheet transactions, as well as impaired loans/receivables (continued)

Impaired loans/receivables

in CHF	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustements
31 December 2021	**45,601,976**	**–**	**45,601,976**	**45,601,976**
31 December 2020	52,176,448	–	52,176,448	52,176,448

3 Trading portfolios and other financial instruments at fair value (assets and liabilities)

in CHF	2021	2020
Trading portfolio assets		
Listed equities	2,652,207	2,048,986
Listed investment funds	2,340,462	2,114,515
Debt instruments	10,101,608	10,545,499
– of which listed debt instruments	2,386,972	1,540,760
Precious metals and commodities	100,115	–
Other trading portfolio assets	864,222	927,072
Total	**16,058,614**	**15,636,072**
– of which, determined using a valuation model	–	–
– of which, securities eligible for repurchase agreement transactions in accordance with liquidity requirements	935,619	1,046,000

4 Derivative financial instruments (assets and liabilities)

in CHF	Trading instruments: Positive replacement values	Trading instruments: Negative replacement values	Trading instruments: Contract volumes	Hedging instruments: Positive replacement values	Hedging instruments: Negative replacement values	Hedging instruments: Contract volumes
Interest rate instruments						
Futures	–	–	–	–	–	–
Currency forward contracts	62,160,668	23,860,156	4,337,884,068	–	–	–
Currency swaps	9,418,376	22,458,410	3,505,069,034	–	–	–
Currency options	349,380	312,449	10,784,813	–	–	–
Precious metals forwards	15,636,093	4,888,204	652,145,488	–	–	–
CFD derivatives (indices and commodities)	5,079,407	1,723,629	299,856,052	–	–	–
Credit default swaps	–	169,445	43,782,720	–	–	–
Total before netting agreements						
31 December 2021	**92,643,924**	**53,412,293**	**8,849,522,175**	–	–	–
– of which, determined using a valuation model	92,643,924	53,412,293	8,849,522,175	–	–	–
31 December 2020	89,292,800	43,338,171	6,466,403,714	–	1,338	256,611
– of which, determined using a valuation model	89,292,800	43,338,171	6,466,403,714	–	1,338	256,611
Total after netting agreements						
31 December 2021	**76,339,886**	**36,938,810**	**6,217,893,677**	–	–	–
– of which, determined using a valuation model	76,339,886	36,938,810	6,217,893,677	–	–	–
31 December 2020	79,710,053	33,755,424	4,290,354,715	–	1,338	256,611
– of which, determined using a valuation model	79,710,053	33,755,424	4,290,354,715	–	1,338	256,611

Breakdown by counterparty

in CHF	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	–	2,598,893	73,740,993

5 Financial investments

in CHF	Book value 2021	Book value 2020	Fair value 2021	Fair value 2020
Debt securities	800,021,617	621,675,790	804,433,698	628,798,622
– of which, intended to be held to maturity	671,511,147	421,404,165	675,806,933	428,594,729
– of which, not intended to be held to maturity (available for sale)	128,510,470	200,271,625	128,626,765	200,203,893
Precious metals	26,635,281	23,897,367	26,635,281	23,897,367
Equity securities	16,279,815	10,446,183	19,623,083	12,127,508
Cryptocurrencies	24,380	23,720	24,380	23,720
Total	**842,961,093**	**656,043,060**	**850,716,442**	**664,847,217**
– of which, securities eligible for repurchase agreement transactions in accordance with liquidity requirements	321,448,935	168,404,192	323,332,945	169,292,076

Notes to the financial statements

Section V: Information on the balance sheet

5 Financial investments (continued)

Breakdown of counterparties by rating (book value)

in CHF	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated	Total
Debt securities (book values)	500,470,344	117,238,950	160,609,252	2,246,153	–	19,456,918	800,021,617

The Bank used the lowest ratings between Standard & Poor's, Fitch and Moody's.

6 Participations

				2021				
in CHF	Acquisition cost	Accumulated value adjustments and changes in book value	Book value 31 December 2020	Reclassi-fications	Additions	Disposals	Value adjustments	Book value 31 December 2021
Participations (without market value)	12,040,157	(8,853,399)	3,186,758	–	13,116,143	–	(1,285,296)	15,017,605

Swissquote Bank Ltd co-founded with PostFinance AG in April 2021 a Swiss-based company designated as Yuh Ltd. The contribution was funded by the Bank with a cash contribution (CHF 5.5 million) and a contribution of proprietary software (CHF 6.9 million). Yuh Ltd launched a mobile banking application on 11 May 2021. As at 31 December 2021 the Bank holds 50% interests in the company.

During 2021, the Bank increased its participation in Swissquote Pte. Ltd by SGD 1.0 million (CHF 0.7 million) and subsequently depreciated it by CHF 0.8 million to reflect its net asset value. The participation Swissquote Ltd was depreciated by CHF 0.5 million.

7 Companies in which the Bank holds a permanent direct or indirect significant participation

			2021		
Company name	Domicile	Business activity	Share capital	Shares of capital	Shares of vote
Swissquote Asia Ltd	Hong Kong, China	Leveraged FX trading	638,962	100%	100%
Swissquote Ltd	London, UK	Online trading services	6,211,345	100%	100%
Swissquote MEA Ltd	Dubai, UAE	Financial services	488,900	100%	100%
Swissquote Pte. Ltd	Singapore, SIN	Financial services	4,603,268	100%	100%
Swissquote Financial Services (Malta) Ltd	Valletta, Malta	Investment services	1,318,004	< 0.1%	< 0.1%
Yuh Ltd	Gland, Switzerland	IT and technology activities	1,000,000	50%	50%

All participations listed above are held directly by the Bank.

In 2021, the Bank increased its participation in Swissquote Pte. Ltd by SGD 1.0 million (CHF 0.7 million).

8 Other assets and other liabilities

in CHF	Other assets 2021	Other assets 2020	Other liabilities 2021	Other liabilities 2020
Indirect taxes (VAT, stamp tax, withholding tax)	2,557,122	–	12,814,014	12,917,309
Accounts payable	–	–	21,404,128	6,254,504
Total	**2,557,122**	**–**	**34,218,142**	**19,171,813**

9 Assets pledged or assigned to secure own commitments and of assets under reservation of ownership

in CHF	Book values 2021	Book values 2020	Effective commitments 2021	Effective commitments 2020
Pledged/assigned assets – Guarantee deposits				
Amounts due from banks	266,676,113	390,853,504	266,676,113	390,853,504
Amounts due from customers	37,514,649	12,569,009	37,514,649	12,569,009
Total	**304,190,762**	**403,422,513**	**304,190,762**	**403,422,513**

10 Liabilities relating to own pension schemes, and number and nature of equity instruments of the Bank held by own pension schemes

in CHF	2021	2020
Amounts due in respect of customer deposits	4,520,168	3,627,065
Total	**4,520,168**	**3,627,065**

The Bank's own pension scheme does not hold any equity instruments of the Bank (directly or indirectly). It holds stock options of Swissquote Group Holding Ltd.

The Bank insures its staff with a collective foundation, which provides benefits on retirement or in the event of death and disability. The benefits provided by the plan are above the legal minimum (which is set out in Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans). These additional benefits can be reduced prospectively for active employees. The level of contributions to be paid by the employees and the Bank is determined in the plan's rules. The pension benefits are based on the contributions paid by the insured persons and the Bank (individual savings accounts).

Notes to the financial statements

Section V: Information on the balance sheet

11 Economic situation of own pension schemes

The benefits provided for the Bank's pension fund are determined in accordance with the Swiss GAAP RPC 16. Swiss GAAP RPC makes use of the financial statements of the respective pension fund. The financial statements of the pension fund have to be established in accordance with Swiss GAAP RPC 26. Those financial statements may present a surplus or a deficit which represents the basis for the Bank to assess annually whether economic benefits or obligations from pension plan exist.

Coverage ratio

The pension fund's latest audited annual financial statements, prepared under Swiss GAAP RPC 26, show the following level of funding:

	2021 (unaudited)	2020 (audited)	2019 (audited)
Swissquote Group pension fund	110.7%	108.7%	109.9%

Employer contribution reserves (ECR)

The employer contribution reserves as at 31 December 2021 amounted CHF 350,605 (2020 : CHF 326,229).

ECR in CHF	Nominal value at current year end	Waiver of use at current year end	Net amount at current year end	Net amount at previous year end	Influence of ECR on personnel expenses 2021	2020
Contribution reserves	350,605	–	350,605	326,229	–	–

The employer contribution reserve corresponds to the nominal value as calculated by the pension scheme. It is not recognised as assets in the Bank's balance sheet.

Presentation of the economic benefit / obligation and the pension expenses

in CHF	Overfunding at end of current year[1]	Economic interest of the bank 2021	2020	Change in economic interest versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses 2021	2020
Pension plans with overfunding	110.7%	–	–	–	4,713,734	4,713,734	4,026,636

[1] Based on unaudited annual accounts of the pension fund

The Bank's employees are insured under the Group pension fund. The pension funds cost stood at CHF 4,713,734 for the 2021 financial year (2020 : CHF 4,026,636).

The overfunding of the pension fund of 110.7% (2020 : 108.7%) is used exclusively for the benefit of the insured members, thus there is no economic benefit to the Bank that needs to be recorded in the balance sheet and in the income statement.

12 Value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

in CHF	Balance as at previous year end	Use in conformity with designated purpose	Reclas-sifications	Currency differences	Past due interest, recoveries	New creations charged to income statement	Releases to income statement	Balance as at current year end
Provisions for other business risks	–	–	–	–	–	–	–	–
Restructuring provisions	–	–	–	–	–	–	–	–
Other provisions	8,053,334	–	–	(95,827)	–	3,312,100	(520,501)	10,749,106
Total provisions	**8,053,334**	**–**	**–**	**(95,827)**	**–**	**3,312,100**	**(520,501)**	**10,749,106**
Reserves for general banking risks[1]	**2,236,000**	**–**	**–**	**–**	**–**	**–**	**–**	**2,236,000**
Value adjustements for default and country risks	**52,556,486**	**(6,481,416)**	**–**	**251,534**	**405,717**	**81,135**	**(719,954)**	**46,093,502**
– of which, value adjustments for default risks in respect of impaired loans / receivables	52,526,486	(6,481,416)	–	251,534	405,717	11,135	(719,954)	45,993,502
– of which, value adjustments for inherent default risks	30,000	–	–	–	–	70,000	–	100,000

[1] The reserves for general banking risks are not taxed.

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 Bank operates.

The value adjustments for default risks in respect of impaired loans/receivables of CHF 45,993,502 includes an impaired loan of CHF 391,526 not presented in amounts due from customers.

13 Bank's capital

	2021		
in CHF, except where indicated	Total par value	Number of shares	Capital eligible for dividend
Share capital (fully paid in)	42,000,000	7,000,000	42,000,000

	2020		
in CHF, except where indicated	Total par value	Number of shares	Capital eligible for dividend
Share capital (fully paid in)	42,000,000	7,000,000	42,000,000

No changes compared to 2020.

14 Number and value of equity securities or options on equity securities held by all executives and directors and by employees

The table below discloses the total shares granted during the period under review and the previous year.

	Number of shares		Tax value (CHF)	
	2021	2020	2021	2020
Members of the Board of Directors	1,085	1,528	182,653	110,204
Members of Executive Management	–	–	–	–
Employees	3,097	3,850	378,614	243,102
Total	**4,182**	**5,378**	**561,267**	**353,306**

The table below discloses the total options granted during the period under review and the previous year.

	Number of options		Tax value (CHF)	
	2021	2020	2021	2020
Members of the Board of Directors	–	–	–	–
Members of Executive Management	22,000	29,250	546,432	350,997
Employees	131,225	143,677	3,260,052	1,724,171
Total	**153,225**	**172,927**	**3,806,484**	**2,075,168**

Swissquote Group Holding Ltd holds 100% of the participating interests and voting rights of the Bank. The above figures relate to shares and options of Swissquote Group Holding Ltd that Directors, Executives and employees hold.

Disclosures on employee participation schemes

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 and to members of the Board of Directors 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).

In 2021, shares were offered to all eligible employees and Board members for free (no price paid for the acquisition). They are blocked for a period of 5 years (respectively 3 years for Board members) as from their attribution.

Further information on the structure of the Employee Share and Option Plan can be found in the Remuneration Report of Swissquote Group Holding Ltd.

Notes to the financial statements

Section V: Information on the balance sheet

15 Amounts due from and due to related parties

in CHF	Amounts due from 2021	Amounts due from 2020	Amounts due to 2021	Amounts due to 2020
Parent company	–	–	84,474,418	32,399,560
Group companies (subsidiaries)	4,128,116	3,646,037	160,282,061	112,506,108
Linked companies (sister companies)	–	–	109,812,869	89,136,934
Transactions with members of governing bodies	5,075,929	15,641,143	11,610,462	1,565,485
– of which: members of governing bodies that are also holders of qualified participations	5,058,458	15,641,143	7,755,117	–
Total	**9,204,045**	**19,287,180**	**366,179,810**	**235,608,087**

Related party transactions are conducted on an arm's length basis and are booked in the balance sheet under Amounts due from customers, Amounts due to banks and Amounts due in respect of customer deposits.

Parent company
The current balance of CHF 84,474,418 (2020: CHF 32,399,560) due to the parent company Swissquote Group Holding Ltd is related to cash deposited into a bank account opened with the Bank.

Group and linked companies
The increase of the amounts due to Group and linked companies is explained by the fact that the Bank is acting as correspondent bank for some of the companies and by the growing business of some of these entities.

Transactions with members of governing bodies
The loans granted to members of governing bodies consist of Lombard loans on a secured basis (through pledging of the securities portfolios). The interest rate is based on a reference interest rate plus a mark-up.

There are no significant off-balance sheet transactions with related parties.

16 Holders of significant participations

in CHF, except where indicated	Nominal 2021	Nominal 2020	Equity 2021	Equity 2020
With voting rights:				
Swissquote Group Holding Ltd, Gland	42,000,000	42,000,000	100.0%	100.0%

The main shareholders of Swissquote Group Holding Ltd as at 31 December are shown below:

	2021			2020		
	Shares	Options	Total	Shares	Options	Total
Marc Bürki	11.53%	0.10%	11.63%	11.83%	0.11%	11.94%
Paolo Buzzi	10.48%	0.05%	10.53%	11.67%	0.11%	11.78%
PostFinance AG	5.00%	-	5.00%	5.00%	-	5.00%
ACE Core Convictions Ltd	3.53%	-	3.53%	<3%	-	<3%
JPMorgan Chase & Co.	<3%	-	<3%	3.43%	-	3.43%
Mario Fontana	<3%	-	<3%	3.04%	-	3.04%
Credit Suisse Funds AG	<3%	-	<3%	3.01%	-	3.01%

Notes to the financial statements

Section V: Information on the balance sheet

17 Composition of equity capital – Non distributable reserves

According to Art. 671, Para.3 CO, to the extent it does not exceed one half of the share capital, the legal capital reserve and the legal retained earnings reserve may be used only to cover losses or for measures designated to sustain the Bank through difficult times to prevent unemployment and to mitigate its consequences. The total non-distributable reserves amount to CHF 21,000,000 (2020: CHF 21,000,000).

18 Total assets by credit rating of country groups (risk domicile view)

This table provides a breakdown of total assets by sovereign credit rating of the country to which the ultimate risk of the underlying asset is related.

in CHF, except where indicated		Net foreign exposure as at 31 December 2021		Net foreign exposure as at 31 December 2020	
FINMA's country rating classes	S&P / Fitch / Moody's	CHF	%	CHF	%
1 & 2	from AAA to AA-	905,038,388	81.8%	887,009,483	83.3%
3	from A+ to A-	49,921,447	4.5%	47,730,643	4.5%
4	from BBB+ to BBB-	110,141,264	10.0%	78,387,100	7.4%
5	from BB+ to BB-	22,594,387	2.0%	27,287,087	2.6%
6 & 7	from B+ to C-	8,911,006	0.8%	18,207,097	1.7%
Unrated	Unrated	9,757,604	0.9%	5,227,087	0.5%
	Total assets	**1,106,364,096**	**100%**	**1,063,848,497**	**100%**

The lowest rating given by three FINMA-recognised External Credit Assessment Institutions (ECAI) was used for this purpose: Standard & Poor's, Moody's and Fitch. The Bank used the mapping of external ratings to the standardised approach Basel III risk weights determined by FINMA.

Notes to the financial statements

Section VI: Information on off-balance-sheet transactions

19 Fiduciary transactions

in CHF	2021	2020
Fiduciary deposits with third-party institutions	2,251,623,134	314,113,756
Fiduciary cryptocurrencies held for customers' accounts	2,830,164,186	1,021,306,276

20 Managed assets and presentation of their development

a Breakdown of managed assets

in CHFm	2021	2020
Assets in collective investment schemes managed by the Bank	48.5	37.2
Assets under discretionary asset management agreements	403.8	253.5
Total managed assets (including double counting)	**452.3**	**290.7**
Of which double counting	–	–

b Presentation of the development of managed assets

in CHFm	2021	2020
Total managed assets (including double counting) at beginning	290.7	197.9
+/- net new money inflow or net new money outflow	40.6	10.6
+/- price gains / losses, interest, dividends and currency gains / losses	121.0	82.2
Total managed assets (including double counting) at end	**452.3**	**290.7**

"Assets in collective investment schemes managed by the Bank" include Swissquote's in-house funds.

"Assets under discretionary asset management agreements" cover assets for which the client has delegated the management of the assets to the full discretion of the Bank.

The net new money inflow represents the contributions of new clients, closed client accounts and inflows/outflows of existing clients' assets. Interests and fees from the various services provided to clients are not included in net inflows/outflows.

Client assets

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

in CHFm	2021	2020
Trading assets[1]	49,852.0	34,689.9
Saving assets	245.8	251.1
eForex assets	393.9	416.8
Robo-Advisory assets	493.0	326.2
Total client assets at 31 December	**50,984.7**	**35,684.0**
Assets not deposited with the Bank	(1,285.7)	(1,264.8)
Total assets under custody at 31 December	**49,699.0**	**34,419.2**

[1] Of which crypto assets: CHF 2.8 billion (2020: CHF 1.0 billion)

Notes to the financial statements

Section VII: Information on the income statement

21 Result from trading activities

a Breakdown by business area

in CHF	2021	2020
eForex (leveraged Forex)	116,648,014	102,873,327
Securities Trading - Forex income and Other	67,039,039	46,961,029
Total result from trading activities	**183,687,053**	**149,834,356**

The amount under Securities Trading include the result from balance sheet activities.

b Breakdown by underlying risk and based on the use of the fair value option

in CHF	2021	2020
Trading results from:		
Interest-rate instruments	(24,594)	43,537
Equity securities (including funds)	26,523,523	15,192,955
Foreign currencies	125,484,489	111,844,919
Commodities / precious metals	31,703,635	22,752,945
Total result from trading activities	**183,687,053**	**149,834,356**
– of which, from fair value option	–	–

22 Material negative interest in the items interest and discount income and interest expense

in CHF	2021	2020
Negative interest on assets (reduction of interest and discount income) from:		
Activities excluding foreign exchange swaps	(10,456,787)	(7,523,663)
Foreign exchange swaps	(19,166,413)	(13,560,320)
Negative interest on liabilities (reduction of interest expense) from:		
Activities excluding foreign exchange swaps	3,379,039	2,406,655
Total	**(26,244,161)**	**(18,677,328)**

Negative interest rates are mainly identified on cash deposits at the Swiss National Bank that exceed a given exemption threshold.

Negative interest expense arising from foreign exchange swaps relates to the deposit of the funds with central banks during the lifetime of instrument.

Notes to the financial statements

Section VII: Information on the income statement

23 Personnel expenses

in CHF	2021	2020
Salaries and wages	96,629,319	81,097,821
– of which, expenses relating to share-based compensation and alternative forms of variable compensation[1]	4,153,519	2,075,168
Social security contributions	10,807,073	7,996,385
Contributions to employee pension schemes	4,713,734	4,026,636
Total	**112,150,126**	**93,120,842**

[1] This includes the expenses relating to the "Employee Share and Option Plan" (ESOP) but not the amount of discretionary profit award paid to eligible employees.

24 General and administrative expenses

in CHF	2021	2020
Office and premises expenses	5,119,349	4,373,810
Information and communications technology	36,722,149	30,191,206
Equipment, furniture and other fixtures, operating lease expenses	7,082	13,692
Fees of audit firm	799,496	785,504
Other operating expenses	61,527,162	47,736,181
– of which Marketing expenses	28,882,484	21,971,118
– of which Royalties	22,318,932	15,880,287
Total	**104,175,238**	**83,100,393**

Fees of audit firm for financial and regulatory audit amounted to CHF 697,500 (2020: 579,500) for other services to CHF 101,996 (2020: 206,004).

25 Material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required

None.

26 Current taxes, deferred taxes, and disclosure of tax rate

	2021	2020
Current income taxes	26,087,709	10,749,793
Total taxes	**26,087,709**	**10,749,793**
Average tax rate weighted on the basis of the operating result	13.0%	12.6%

In 2021, the income tax rate was 13.0% (2020: 13.0%) and may differ from the average tax rate depending on the profit mix across the various jurisdictions.

Supplemental disclosures required under FINMA circular 2016/1 publication – banks (unaudited)

This section contains key figures as required by FINMA Circular 2016/1 "Publication – banks".

As at 31 December 2021, the Bank 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 "countercyclical buffer" (up to 2.5%).

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.

CHF thousands, except where indicated	31 December 2021	31 December 2020
Available capital		
Common equity tier 1 (CET 1)	443,764	322,721
Tier 1	443,764	322,721
Total capital	**445,073**	**323,382**
Risk-weighted assets (RWA)	1,771,575	1,404,661
Total minimum capital requirements	141,726	112,373

	Capital ratios		Minimum requirements			
	31 December 2021	31 December 2020	Basel III minimum requirement	Capital conservation buffer[1]	Capital countercyclical buffer	FINMA minimum requirement
Common equity tier 1 ratio (CET 1)	25.1%	23.0%	4.5%	2.9%	0.0%	7.4%
Additional Tier 1 capital ratio (AT1)	0.0%	0.0%	1.5%	0.1%	0.0%	1.6%
Tier 2 capital ratio (T2)	0.0%	0.0%	2.0%	0.2%	0.0%	2.2%
Total capital ratio	**25.1%**	**23.0%**	**8.0%**	**3.2%**	**0.0%**	**11.2%**

[1] as per appendix 8 Capital Ordinance

The capital conservation buffer requirement as per Basel III minimum standard as at 31 December 2021 is 2.5% (31 December 2020: 2.5%).

	31 December 2021	31 December 2020
CET1 available after meeting the Bank's minimum capital requirements (%)	17.1%	15.0%

Supplemental disclosures required under FINMA circular 2016/1 publication – banks (unaudited)

Basel III leverage ratio

CHF thousands, except where indicated	31 December 2021	31 December 2020
Tier 1 capital	443,764	322,721
Total leverage ratio exposure	8,740,371	7,024,016
Basel III leverage ratio (LERA in %)	**5.1%**	**4.6%**

Liquidity coverage ratio

CHF thousands, except where indicated	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q4 2020
Net cash outflows	1,168,146	1,303,290	1,397,300	1,778,104	927,051
Total high-quality liquid assets (HQLA)	4,244,330	4,455,601	4,775,565	5,205,264	3,751,545
Liquidity coverage ratio (LCR in %)	**363.3%**	**341.9%**	**341.8%**	**292.7%**	**404.7%**

Net stable funding ratio

CHF thousands, except where indicated	31 December 2021
Available stable funding	6,162,667
Required stable funding	1,869,198
Net stable funding ratio (NSFR in %)	**329.7%**

Report of the statutory auditor
to the General Meeting of Swissquote Bank Ltd
Gland

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swissquote Bank Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes, on pages 6 to 30, for the year ended 31 December 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

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Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 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 retained 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

Christophe Kratzer	Jonathan Derungs
Audit expert Auditor in charge	Audit expert

Lausanne, 29 April 2022

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