

REMUNE- RATION REPORT

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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 “Aol”) 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.

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- 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. 20^{bis} Para. 3 of the Aol, 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. 20^{bis} of the Aol, the Organisation Regulations and the Charter of the NRC, according 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 Aol and the resolutions of the General Meeting.

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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. 14^{bis} of the Aol for what regards the remuneration of the Board and Executive Management, and for the amendments to the provisions of the Aol relating to remuneration.

Further information on the NRC can be found in the Aol (in particular in Art. 14^{bis} and 20^{bis}).

2.2 Board of Directors

Subject to the prerogatives of the General Meeting and in line with the applicable laws and Art. 14^{bis} of the Aol, 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, 14^{bis} Para. 1, 21^{bis} and 21^{ter} of the Aol 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 Aol, in particular in Art. 14^{bis}.

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.

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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					Other remuneration
	Cash	Shares	Cash-bonus (short-term)	Shares (long-term)	Stock options (long-term)	Pension fund contributions and benefits		
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. 21^{ter} Para. 2 of the Aol 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.

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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 Aol 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 Aol 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 Aol 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 Aol, 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.

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3.1 Generalities (continued)

Indemnification

Pursuant to Art. 21 Para. 3 of the Aol, 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. 21^{bis} Para. 1 of the Aol, 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 Aol 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. 21^{bis} Para. 2 of the Aol, 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 Aol 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 Aol, 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.

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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. 21^{ter} Para. 1 of the Aol, 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 Aol 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 Aol 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.

ACHIEVEMENT

Largely over-achieved
Over-achieved
Achieved
Under-achieved
Largely under-achieved

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):

Percentage of the base remuneration

50-65%
30-50%
20-30%
0-20%
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. 21^{ter} Para. 2 of the Aol, allowing for a cash bonus up to 150% of the base remuneration.

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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 Aol 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. 21^{ter} Para. 1 of the Aol, 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 Aol 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 Aol, 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.

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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.

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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.

in CHF	Base remuneration		Social insurance contributions	Other remuneration	Total
	Cash	Shares (tax value)			
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.

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

in CHF	Base remuneration		Social insurance contributions	Other remuneration	Total
	Cash	Shares (tax value)			
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 Pernellet, 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%.

Remuneration Report

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.

in CHF	Base remuneration		Variable remuneration			Total
	Cash	Cash bonus	Stock options (fair value at grant)	Social insurance contributions	Other remuneration	
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.

Remuneration Report

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

in CHF	Base remuneration	Variable remuneration			Social insurance contributions	Other remuneration	Total
	Cash	Cash bonus	Stock options (fair value at grant)				
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.

Remuneration Report

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.

Remuneration Report

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

Remuneration Report

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.

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	<ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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.

Remuneration Report

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 Pernellet, 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.

Remuneration Report

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.

Remuneration Report

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:

Grant number	Tranche number	Date of grant	Marc Bürki	Paolo Buzzi	Yvan Cardenas	Gilles Chantrier	Jan De Schepper	Lino Finini	Morgan Lavanchy	Michael Ploog	Total options outstanding as at 31 December 2020	Total options outstanding as at 31 December 2019
			CEO	CTO	CFO	CRO	CSO	COO	CLO	CIO		
			Year joining the Executive Management									
			1999	1999	2019	2017	2019	2019	2017	1999		
Number of options outstanding as at 31 December 2020												
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.

Remuneration Report

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 Aol 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 Aol.

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 Aol.

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

For further information on remuneration matters, reference is made to the Aol 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

Audit expert
Auditor in charge



Leïla Wütschert

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
Steeper 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.

in CHF million	Δ EVE (changes in the net present value)		Δ NII (changes in the discounted earnings value)	
	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 (Δ EVE) 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 (Δ EVE).

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 (Δ EVE) 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 (Δ NII) 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.