

Report to the shareholders

Dear shareholders,

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

Revenues set new records year after year

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

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

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

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

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

Operating expenses in line with expectations

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

Net profit exceeds expectations

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

Solid capital base

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

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

Operating revenues: exclude the cost of negative interest rates (excluding FX swaps) (–CHF 4.7 million) and unrealised fair value adjustments (CHF 0.2 million).

Operating income : includes credit loss expense.

Net interest income: excludes the cost of negative interest rates (excluding FX swaps).

Report to the shareholders

Total number of accounts sets new record

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

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

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

410,248

Total number of accounts

Car leasing service launched for electric cars

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

Expansion of market position in cryptocurrency trading

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

Acceleration of European strategy

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

Swissquote and PostFinance enter into joint venture

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

Report to the shareholders

Swissquote publishes an annual sustainability report (ESG)

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

Distribution of profit to shareholders

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

Amendments to the Articles of Incorporation

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

Thanks

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



Markus Dennler
Chairman of the Board
of Directors

Marc Bürki
Chief Executive Officer